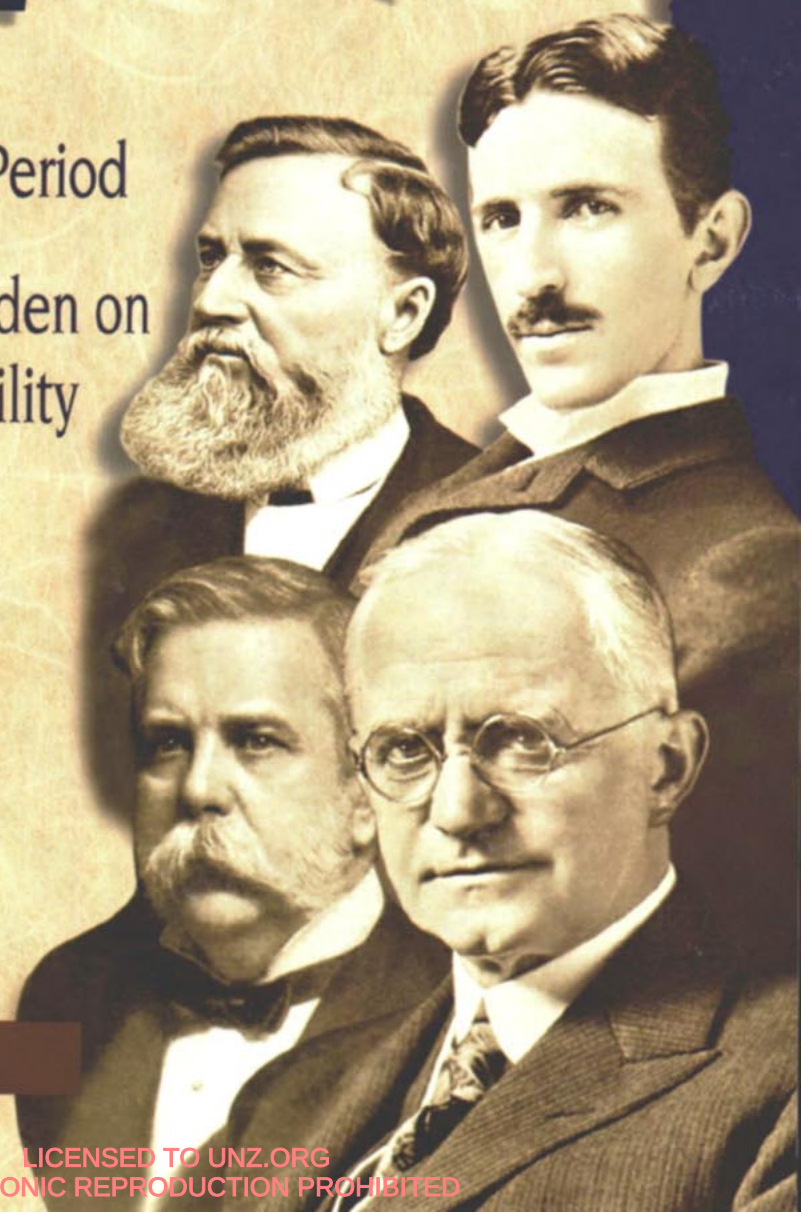
IDEAS ON LIBERTY

- The Inventive Period
- Nathaniel Branden on Self-Responsibility
- The California Power Mess
- Blessed Debt



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Annual Spring Dinner

Sunday, May 20, 2001

Featuring

Bill O'Reilly

best-selling author
and host of
Fox News Channel's
"The O'Reilly Factor"

Harvard Club, New York, NY

Reception 6:00 P.M./Dinner 7:00 P.M.

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IDEAS ON LIBERTY

April 2001 Vol. 51, No. 4

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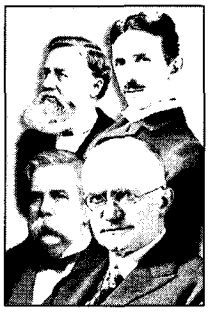

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Cover: Portraits of Singer, Tesla, Westinghouse, and Eastman, courtesy of *The Dictionary of American Portraits* (Dover). Design by John P. Wattai.

PERSPECTIVE

To Be Is to Choose

Left and right critics of free markets sometime level the criticism that capitalism encourages crass consumerism and materialism. Stores and malls proliferate, offering round the clock a dizzying array of products that people did perfectly well without not so long ago. A well-known conservative journalist/political aspirant once said to me, "You've walked through the mall. Do we really need all those things?"

Some people—even some consumers—are bothered by the number of choices within categories of products. The *New York Times* recently carried a report of studies by a professor of psychology and a professor of business which purport to show that consumers can get overwhelmed with too many choices. Mark R. Lepper, chairman of Stanford University's psychology department, told the *Times,* "One can go too far in the process of offering choices and when we are confronted with an array of choices that is larger than we can manage, it has negative effects."

According to the *Times*:

> Dr. Edward L. Deci, a professor of psychology at the University of Rochester who studies human motivation [and who did not conduct the studies], said that "having more than an optimal number of options is not necessarily a motivating factor, as these studies have nicely shown."
>
> "It's very important for people to have choices, to be able to decide what's meaningful for them," he added. "But you can get overloaded with it, just as you can anything else."

Well, okay. There's a grain of truth here. We've all been bewildered at one time or another by a large variety of products. But we manage, don't we? We ask friends about their experiences or we read product reviews or find any number of ways to winnow the selection down to a manageable number.

Furthermore, what is an optimal number of choices for one person is suboptimal for

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someone else. Should the least competent at dealing with choices set the standard for everyone else?

The availability of many choices need not instill materialism or befuddlement. Each individual is still in charge of his conduct and his life. Choice is the consequence of freedom, so at the moment of exasperation, consider the alternative. The range of choice under socialism satisfied no one, including the rulers who managed to procure Western goods.

Complaining about the sumptuous buffet that capitalism sets before us is like railing against 24-hour all-you-can-eat restaurants. The existence of those restaurants does not imply that you should eat all you can 24 hours a day. It simply says, "We're here when you want us." The same with the rest of the marketplace.

You don't have to consume everything you see. It's just there when you want it. Exercise self-responsibility and prosper.

* * *

April is the cruelest month, thanks to the Sixteenth Amendment to the U.S. Constitution and the U.S. Congress. How is a civilized person to cope? Ted Roberts commiserates.

The late nineteenth century was a remarkably good time for the people of the United States. But it's not usually portrayed that way. Andrew Bernstein identifies the era's distinguishing characteristic.

When a multinational corporation sets up shop and hires lots of poor, unemployed people at low wages, many people consider this outrageous exploitation—except. . . . Ralph Hood discusses the exception.

Too often the market order is thought to be amoral. In fact, as Nathaniel Branden explains, it is rooted deeply in the morality of self-responsibility.

The World Wide Web has made possible global auctions for all kinds of products, including rare collectibles. But how does the process overcome the risk of fraud? Aaron Steelman draws on his firsthand experience to answer that question.

In recent years we have witnessed the spectacle of the law's being used to undermine the rule of law. The results have been catastrophic, according to James Bovard.

Government historically has accrued power by scaring people about one imminent danger or another—usually bogus. James Payne says that's what the government is doing with terrorism.

The anti-gun lobby has opened a new, public-health front, with the help of the medical establishment and its prestigious journals. According to Dr. Miguel Faria, it's junk medicine.

The drug czar in the last administration found a new problem just as he was leaving office: the drug threat among chess players. George Leef wonders what the czar has been smoking.

In the philosophical literature, rights come in two varieties: negative and positive. Or, as Tibor Machan shows, authentic and counterfeit.

Our columnists set forth a delectable smorgasbord of provocative goodies this month: Donald Boudreaux cautions against reification of abstractions such as "the nation" and "the market." Lawrence Reed explains the California power crisis. Doug Bandow marvels at the endurance of congressional incumbents. Dwight Lee applies economic principles to the environment. Mark Skousen sees a better way to do national income accounting. Walter Williams offers his take on racial profiling. And Christopher Lingle responds to those who believe rising energy prices will ignite inflation, "It Just Ain't So!"

Books on charter schools, monopoly, the rule of law under Clinton, mutual-aid societies, the ethics of self-interest, and the anthropology of trade grab our reviewers' attention this month.

—SHELDON RICHMAN

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Thoughts on Freedom

by Donald J. Boudreaux

The Will of the Market?

Common to all intellectual assaults on liberty is groupthink. It's easy to lose sight of each person's indissoluble individuality—the root justification for liberty—when we speak and think in aggregates such as "the nation," "society," or "the market."

These terms, by themselves, are unobjectionable. Indeed, they are shorthand often useful for economy and elegance of expression. But in the hands of careless or devious thinkers these terms too often are taken to refer to things mystical rather than real. In fact, nothing sentient in reality corresponds to the "the nation," "society," or "the market." Nothing described by these terms has any ethical standing. These things aren't real in the same way that individuals are real—nothing called a "nation" or "society" or "the market" has feelings, memories, plans, or wishes. No nation, or society, or market has ever desired or refused or rejoiced in or lamented anything. Emotions are experienced only by individuals; plans are formulated only by individuals; actions are carried out only by individuals.

To suppose otherwise is to impute life to labels; it is to treat these labels as if they were sentient creatures. It is, in short, to wallow in irrationality. And irrationality is, as it ever was, an enemy of sound thinking.

The Cato Institute's Tom Palmer often quotes the late Parker T. Moon, who taught history at Columbia University, to make this vital point:

> Language often obscures truth. More than is ordinarily realized, our eyes are blinded to the facts . . . by tricks of the tongue. When one uses the simple monosyllable "France" one thinks of France as a unit, an entity. When to avoid awkward repetition we use a personal pronoun in referring to a country—when for example we say "France sent *her* troops to conquer Tunis"—we impute not only unity but personality to the country. The very words conceal the facts and make international relations a glamorous drama in which personalized nations are the actors, and all too easily we forget the flesh-and-blood men and women who are the true actors. How different it would be if we had no such word as "France," and had to say instead—thirty-eight million men, women and children of very diversified interests and beliefs, inhabiting 218,000 square miles of territory! Then we should more accurately describe the Tunis expedition in some such way as this: "A few of these thirty-eight million persons sent thirty thousand others to conquer Tunis." This way of putting the fact immediately suggests a question, or rather a series of questions. Who are the "few"? Why did they send the thirty thousand to Tunis? And why did these obey?*

Moon's point is undeniably true. And yet failure to grasp this straightforward truth con-

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*Parker Thomas Moon, *Imperialism and World Politics* (New York: Macmillan, 1928).

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tinues to mislead scores of professors, pundits, and politicians.

Consider, for example, the claims of Thomas Frank, a budding hero of the left, whose new book criticizing capitalism, *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economic Democracy*, is drawing lots of attention. In a review he wrote in 1999 for *The Atlantic Monthly*, Frank asserted that "the market will not tolerate any sort of political activity beyond its very narrow spectrum of permissible beliefs" and that the United States is "a country in whose image markets quite naturally wish to remake the world."

Overlook Frank's wildly mistaken conclusions. Focus instead on his rhetoric and what it reveals about how he sees the world. He accuses the market of being a conscious thing—something with a mind and a will of its own—something that can be intolerant—something with wishes.

How ludicrous. The term "the market" is simply a label for the complex of countless voluntary interactions among millions upon millions of people. Each person, to the extent that he is free, chooses how to spend and save his resources and how to acquire more resources. The only constraints on a free man's choices are those imposed by nature and the choices of his fellow free human beings.

Economics and history amply demonstrate that private property rights and the resulting free market channel people's actions into those arenas that yield great benefit not only for the acting individual but also for untold numbers of his kin, friends, neighbors, and fellow citizens. Indeed, almost every action on a free market benefits millions of strangers around the globe, anywhere the market touches.

Following Parker Moon's example, we can profitably unpack assertions about what the market "does" or "wants." For example, when Thomas Frank insists that "the market" wants to remake the world into an image of the United States, what he *should* say is something like the following:

> When left free by government to spend their money as they wish, people around the world spend it very much as Americans spend their money. Non-Americans, when they break loose of the fetters of government regulation, choose to buy lots of Big Macs, shop at big-box retailers, frequent Starbucks coffee shops, go to Hollywood movies in giant cinemaplexes, and generally spend their money just as people in Anaheim, St. Louis, and Providence spend theirs. Moreover, entrepreneurs and corporations cater to these wishes. These consumer choices, and suppliers' responses to them, will make places such as Paris, Bucharest, and Seoul culturally indistinguishable from places such as Oakland, Dallas, and Richmond.

There can be no question that the market does not generate most of the outcomes feared by Frank and other market critics. But even if it did—even if everyone around the world, when given freedom, would choose to eat only at KFC and shop only at Wal-Mart—these outcomes would be nothing more than the results of voluntary choices of free people.

No sentient creature plans market outcomes. No sentient creature *could* plan such outcomes. (Those who doubt this claim can consult Leonard Read's classic essay "I, Pencil" for a brilliant explanation.) That's one of the great benefits of the market: it denies to everyone the power to impose his or her will on others. When Thomas Frank and other market critics write about the market as if it had a will that is imposed on others, they have it precisely backward. Only through coercion can anyone impose his will on others. That's why the state is so dangerous—and why the market is not. □

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IDEAS ON LIBERTY
APRIL 2001

Rising Oil Prices Create Inflation?

It Just Ain't So!

With oil prices rising rapidly and the euro and the Australian dollar declining sharply (to name only two currencies to fall persistently), it appears that a rough road is ahead for the world's economies. Perhaps the biggest concern for those countries which import oil is that a new wave of inflation will sweep over them. After all, isn't it likely that inflationary pressures could force interest rates upward and cause a slowdown in economic growth?

These fears have been compounded by an International Monetary Fund (IMF) report in its "World Economic Outlook" announcing that rising oil prices might trigger inflationary pressure in most economies.

Once again, the IMF economists have got it wrong. Rising oil prices cannot be viewed as the primary cause of inflation: not now, not ever.

In the first place, most industrialized economies have a smaller weight assigned to oil and energy in the basket of consumer goods that are used to measure inflation—assuming for the moment that that really measures inflation. The diminished weight for energy reflects a declining importance of industrial production in those countries as they shift to services and information technology.

The overall picture for emerging market economies is slightly more complicated since most of their currencies have fallen against the dollar. Given that all contracts for oil products throughout the world are denominated in U.S. dollars, those countries are hit with a double whammy. Yet quite a few emerging market economies are benefiting from the price rises since they are net exporters of petroleum (for example, Indonesia, Malaysia, Mexico, and Venezuela). And then some emerging market economies have also decreased their dependency on oil imports. For example, Thailand's oil purchases as a percent of total imports are down from 25 percent in the 1970s to about 8 percent.

The Real Problem: Central Banking

In all events, inflation is unlikely to be a problem in any country unless its central bank expands the rate of growth of the money supply to support levels of consumption seen before the upsurge in oil prices. If the banks abstain from increasing the money supply, consumers and producers will behave rationally and decrease their use of oil products to offset the higher prices.

The simple truth is that, by themselves, rising oil prices cannot cause inflation. Most people seem to have forgotten the hard-earned lesson that inflation occurs when too much new money or credit is pumped into the economy.

A more likely scenario is a slowdown in GDP growth, especially in the emerging market economies. Estimates for the effect of oil prices' remaining at about $33 a barrel suggest that GDP growth in industrial economies would fall by one-quarter to one-half of a percentage point next year while the effect on emerging economies might be double.

This will be worsened if governments are tempted to provide subsidies to offset rising oil prices. In response to a protest by local farmers, Thailand's government paid more than $25 million. Such politically motivated actions will only hide the costs and shift them to the long term.

Now, what to do about those currencies that have fallen so precipitously against the U.S. dollar? Unfortunately, governments cannot do

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much that will make matters better. What is worrying is that there will be some temptation to raise interest rates to prop up their currencies. This would only make things much worse.

In all events, the connection between foreign exchange (Forex) values and key economic variables is different from what it was in the past. Among these key variables were relative rates of inflation (lower inflation; stronger currency), relative rates of interest (higher interest rates; stronger currency), relative performance of the economy (higher growth; stronger currency), and expectations about the future (optimism about local economy's performance; stronger currency). In the past, trade flows were perhaps the most important single determinant of Forex values.

But that was then. Now capital markets are increasingly efficient and remarkably global. More than a trillion dollars are traded each day, an amount more than ten times what is needed to pay for trade transactions. In the end, attempts by governments to manipulate their currencies using their foreign reserve balances or monetary policy will be less effective.

If countries with weak currencies wish to avoid inflation, they need not worry about rising oil prices per se. As Milton Friedman has said, "Inflation is everywhere and always a monetary phenomenon." Governments and citizens would do well to remember this adage. □

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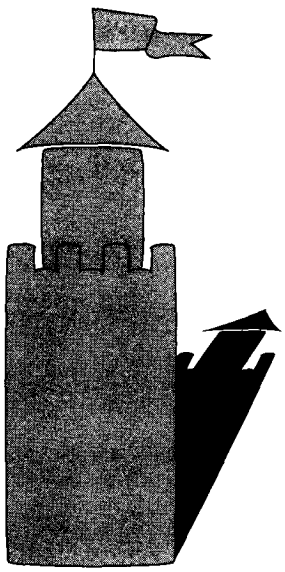

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APRIL 2001

Beware the Ides of April (Plus Two)

by Ted Roberts

April 15, two days after the Ides of April. A day of infamy that causes the sour-hearted taxpayer to shudder and wish a warp of time would wash over him and carry him to seventh-century Notaxylvania, an idyllic kingdom where the caliph only took the new-born lambs and 50 pounds of dried dates a year. But the retentive taxpayer smiled behind his hand because safe and secure beneath the sandy floor of his tent lay his hoard of silver simoleons.

Why do the faint-hearted fantasize about Notaxylvania and cringe at Uncle Sam's annual fundraiser? Why aren't we reconciled to handing a significant share of our earnings to an unknown bureaucrat who never had us over for supper? Why don't we solace ourselves with the thought that many of our bucks will supply jobs for the tax collector's talented Uncle Joe and Aunt Emma—so talented, in fact, that they can run the state's administrative machinery without even showing up at the office!

The pittance of our remaining contribution will go to build a constituency for the caring politician who's taken the heavy task of wealth distribution off our shoulders. How could we uninformed taxpayers sprinkle our dollars around our poverty-stricken society without exhibiting a bias toward the worthy unfortunates in our own circle of friends and relatives? And would that be fair? And if we who earned the bucks passed out those fat envelopes, the beneficiaries would be grateful to us, not Senator Porkheart. So he might not stay in office. And we'd be totally vulnerable to the sin of self-glorification, provoked by our largess.

Moses Maimonides, a twelfth-century philosopher and Talmudic scholar, wrote extensively on charity and the problem of donor arrogance. He constructed many levels of charity. The supreme gift, according to Maimonides, is not goods or money, but employment or an opportunity for self-sufficiency. Much of his concern dealt with the dignity of the recipient and the anonymity of the donor—how to hide the connection between giver and taker. If A gives to B, he might revel in his power over B. Maybe better that A gives to C, who transfers the gift to B, thereby shielding B from A's pride. Almost a thousand years after Maimonides pondered this conundrum, it's solved by Senator Porkheart and his pals. We givers are totally anonymous. A United States congressman is the only philanthropist who gives away somebody else's money.

Pick Your Own Beneficiaries

Maybe we could avoid our lust for gratitude by designating not an individual, but a category of beneficiaries? Why not a block on the 1040 where we can designate groups—any community we choose, by race, gender, reli-

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gion, occupation. Even regionally. Like the sixth-grade school teachers of Gadsden, Alabama, or the Battered Women's Shelter in Peoria, Illinois. Or Korean War veterans south of the Waxahatchie River. Or all the teenagers in Oakland, California, who don't have a Sunday suit of clothes.

Congressman Porkheart is dying to sprinkle a mill or two on his constituents in Detroit. But you hate Detroit. You'd rather spend the money on pineapple upside-down cakes for the needy of Chicago. Your money—your whim.

Some of us pine for the old days when the feudal aristocracy granted tax exemptions to whole towns and villages. If a local saved the kingdom by pulling his liege lord out of the duck pond, or by diverting the village cesspool into his liege lord's enemy's well, or stuck a sword in his liege lord's enemy, great—no taxes for the whole village. It was a time-honored tradition. For example, Joan of Arc's hamlet of Domrémy went tax-free because of her heroic feats. Naturally, as the word spread, tax-oppressed peasants moved in from miles around. Grateful villagers muttered Matins every morning for their benefactress.

This has never happened in my village. Last year I met our IRS benefactors personally because my return was filled in with a No. 8 pencil and contained 42 erasures. They invited me down for coffee and doughnuts. It was a close encounter of the *fourth* kind.

I purposely dressed down for the occasion in a holey T-shirt and shorts that used to be boxer underwear—when they were new. I looked so bad they frisked me when I walked in. But all they found was a pad of blank restaurant checks that I'd concealed in my sock. I was well armed for a grilling on my business expenses, but shockingly the offensive was aimed at my Sunday school travel expenses!

Me: "I tell you I teach Sunday school three times a week—it's 100 miles away—that's 52 weeks times three sessions a week times 200 miles. I drive both ways. (You expect me to walk home after two hours on my feet lecturing against dishonesty?) So that's how I got 31,200 miles at 27 cents a mile. And that's exactly what I put on line 152C. Right?"

Aggressive auditor: "It is only correct if I grant your two basic assumptions that there are three Sundays in a week and you live in Huntsville, Alabama, and teach Sunday school in Chattanooga."

Me: "I can prove without reasonable doubt I live in Huntsville, Alabama—and I can prove that there are houses of worship in Chattanooga."

We eventually compromised and put the site of my moral instruction in Brooklyn—Alabama, that is.

Remember Robin Hood, a man ahead of his time? He, too, stole from the rich (anybody who owned two matching shoes or a belt instead of a rope around his waist) and gave to the poor—minus an ale and roast-beef allowance for the merry band of brigands. In those simple days travelers on less-than-urgent business made a 50-mile detour to avoid Sherwood Forest. Today, all roads lead through Sherwood Forest. Maimonides, though a great fan of philanthropy, would have hated the lack of choice. □

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IDEAS ON LIBERTY
APRIL 2001

The Inventive Period

by Andrew Bernstein

An issue of *American Heritage* (November 1999), a magazine devoted to analyzing important cultural issues in U.S. history, contains an article that provides ample clues to the true nature of late nineteenth-century America. The piece, "People of Progress," features the greatest innovators of the twentieth century, and takes as its point of departure Christian Schussele's famed 1862 painting, "Men of Progress," a depiction of 19 great American inventors and creative thinkers of the first half of the nineteenth century.

Schussele's painting portrays such men as Cyrus McCormick (1809–1884), the inventor and manufacturer of the reaping machine and other agricultural equipment; Charles Goodyear (1800–1860), who created the vulcanization process that made rubber useful; Samuel Colt (1814–1862), the gun inventor and manufacturer; Peter Cooper (1791–1883), the builder of the first American steam locomotive; Samuel Morse (1791–1872), the innovative thinker responsible for both the electric telegraph and the Morse Code; William Morton (1819–1868), the dentist who co-discovered ether's use as an anesthetic; and Elias Howe (1819–1867), inventor of the sewing machine. These, as well as 12 other equally accomplished thinkers and inventors, form the subject of Schussele's masterpiece.

Andrew Bernstein teaches philosophy at Pace University and is working on a book, The Capitalist Manifesto.

The administrators of the Cooper Union for the Advancement of Science and Art (founded by industrialist and inventor Peter Cooper in 1859[1]) recently commissioned one of its leading graduates, the artist Edward Sorel, to paint a sequel to Schussele's work—a portrait of 20 innovative Americans who changed the world in the twentieth century. Sorel, with assistance from the editors of *American Heritage* and *American Heritage of Invention & Technology*, chose the subjects. Not surprisingly, some of the geniuses depicted started their brilliant careers in the second half of the nineteenth century.

Anti-capitalist historians regularly refer to this era as "the Gilded Age" and deride its great industrialists as "Robber Barons." They claim that its extensive industrial development was achieved by means essentially tawdry and unprincipled. They are profoundly mistaken and have failed to identify the essence of the era. It must be known as the Inventive Period.

In Schussele's painting, Benjamin Franklin looks down on those assembled as both inspiration and presiding genius. Sorel grants this honor to Thomas Edison. Edison (1847–1931) is the exemplar of his age. He is widely known as the inventor of the electrical lighting system, the phonograph, the electric generator, and the motion-picture projector. He also later coordinated movies with phonographic sound to create the world's first multi-media presentation. But Edison is by no means alone in exemplifying

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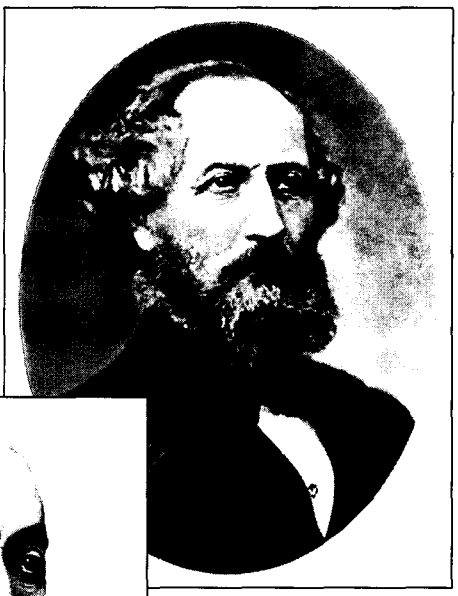
COURTESY GEORGE EASTMAN HOUSE

George Eastman (1854–1932)



Cyrus West Field (1819–1892)

ALL PORTRAITS IN THIS ARTICLE: *DICTIONARY OF AMERICAN PORTRAITS* (DOVER)

COURTESY CHICAGO HISTORICAL SOCIETY

William Le Baron Jenney (1832–1907)

the scientific/technological genius of the period. Sorel's portrait projects numerous other great minds.

Among them are George Washington Carver (1864–1943), the brilliant black American botanist and agronomist, who developed a new type of cotton, Carver's Hybrid. Born a slave, he is most famous for developing sweet potatoes and peanuts as leading crops, but he also invented hundreds of plant-based products, taught methods of soil improvement and, by means of his discoveries, induced southern farmers to grow crops other than cotton. Also included is Charles Steinmetz (1865–1923), the German immigrant who went to work for General Electric as its first director of research and development and in the 1890s pioneered the understanding of electrical transmission.

Neglected Geniuses

Since Schussele's portrait concentrates on the early nineteenth century and Sorel's on the twentieth, there are many great late-nineteenth-century thinkers who are included in neither painting. Here we can cite merely a few. One is George Eastman (1854–1932), who in 1884 patented the first film in roll form to prove practical. In 1888 he revolutionized photography by perfecting his Kodak camera, and in 1892 established the Eastman-Kodak Company, one of the first to mass-produce standardized photographic equipment. Another is Cyrus W. Field (1819–1892), an entrepreneur whose interest in transoceanic telegraphy led to the completion in 1866 of the transatlantic cable. Field later was instrumental in laying the cable that linked the United States to Australia and Asia by way of Hawaii.

The advances in architecture wrought by William Le Baron Jenney (1832–1907) and Louis Sullivan (1856–1924) must not be overlooked. Jenney, an engineer in the Union Army during the Civil War, settled in Chicago and opened an architectural office. He pioneered the use of metal-frame construction for large buildings, which he first employed in the Home Insurance Company Building in

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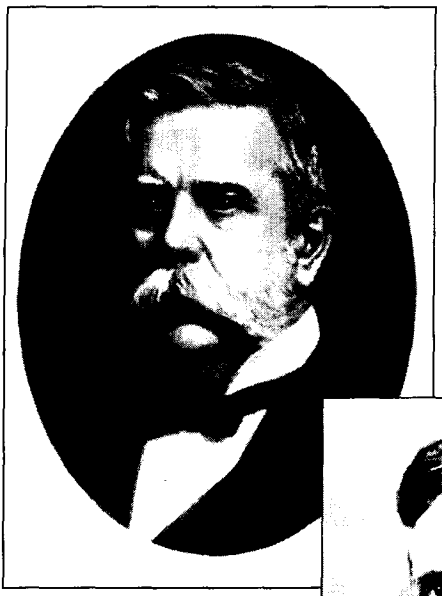
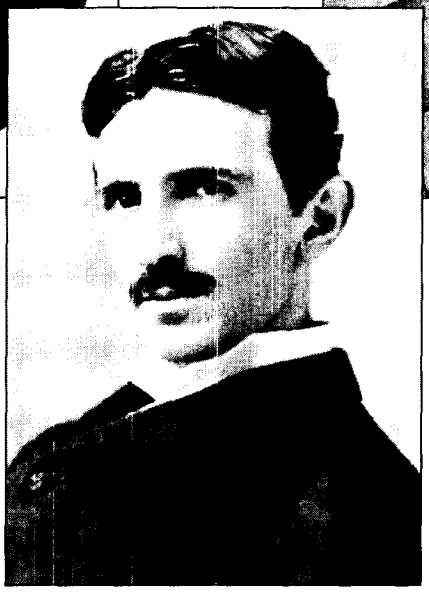
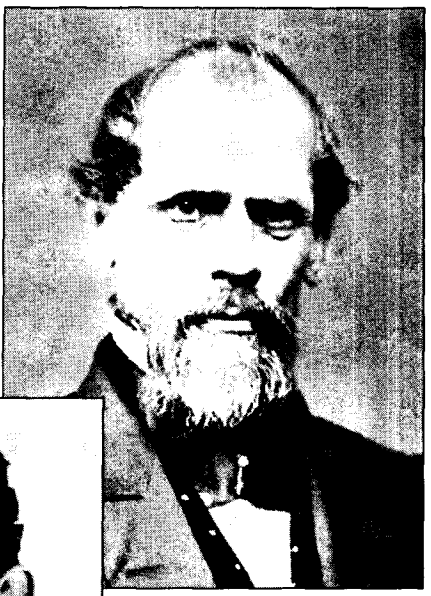


George Westinghouse (1846–1914)



Nikola Tesla (1856–1943)



John Augustus Roebling (1806–1869)

1885. His revolutionary method of curtain-wall construction is still used today and earned him the title of "father of the skyscraper." Sullivan apprenticed with Jenney early in his career. Later, it was his designs for steel-frame buildings that resulted in the establishment of the skyscraper as a distinctively American type of building.

George Westinghouse (1846–1914) introduced numerous inventions in various fields, but concentrated on the railroad industry. Before the age of 20, he created the "railroad frog," an invention that permitted trains to switch tracks. His most famous advance was the air brake, invented around 1866, which became a standard feature on all trains. Westinghouse developed hundreds of innovations, acquired more than 400 patents and, together with the Croatian immigrant Nikola Tesla (1856–1943), pioneered the use of alternating current (AC) power in the United States. Tesla invented the AC induction generator in the 1880s, the first practical motor powered by alternating current. He sold the patent to Westinghouse, who put it to commercial use in the Niagara Falls power project. Westinghouse and Tesla demonstrated that alternating current was able to generate electrical power over great distances more economically than the direct current favored by Edison.

John Roebling (1806–1869), a German immigrant, pioneered the construction of suspension bridges in the United States in the second half of the nineteenth century. He demonstrated the practicality of using steel cables in bridge construction—and today, early in the 21st century, several of his bridges still stand, including the famed Brooklyn Bridge in New York, constructed in the 1870s. Another great creator, largely forgotten today, is the U.S. Army surgeon and bacteriologist Walter Reed (1851–1902). In the 1890s, Reed's investigations contributed greatly to the understanding of typhoid fever, leading to the control and prevention of epidemics of the disease. In 1900 Reed demonstrated that the yellow-fever virus was transmitted by the bite of the mosquito *Aedes aegypti*. By exterminating the mosquitoes, the disease was virtually wiped out.

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A great thinker from the Inventive Period who is widely remembered is the Scottish immigrant, Alexander Graham Bell (1847–1922). In 1874, his work on the multiple telegraph gave him the idea for the telephone. Experiments with his research assistant, Thomas Watson, proved successful on March 10, 1876. Later that year, Bell demonstrated the telephone at the Centennial Exposition in Philadelphia, an event leading to the organization of the Bell Telephone Company in 1877. Bell's other inventions include the audiometer, a device for measuring hearing acuity and, later in life, the aileron and other aeronautical advances.

Alexander Graham Bell (1847–1922)

Space does not permit even the mention of all the inventors, entrepreneurs, and groundbreaking industrialists who flourished during the period. The achievements of Frank Julian Sprague (1857–1934), for example, are no longer remembered. Sprague, a brilliant electrical engineer who graduated from Annapolis and worked for Edison, electrified Richmond's trolley system in 1888. He demonstrated that electricity was cheap, and that it could be used on both surface and elevated cars. In 1890 about 15 percent of America's urban transit mileage was electrified; by 1902, 97 percent.

On the eve of the twentieth century America's technological advances were only beginning. On the morning of June 4, 1896, Henry Ford (1863–1947) battered down the brick wall of his rented garage with an ax and drove out his first car. Others, of course, had already built and run cars, but Ford began the Ford Motor Company in 1903 and made the automobile a commercial reality. Soon millions of Americans were driving cars. That same year, Wilbur (1867–1912) and Orville (1871–1948) Wright, two bicycle mechanics from Dayton, Ohio, who were self-educated

Frank Julian Sprague (1857–1934)

regarding the principles of aeronautical engineering, accomplished the first controlled, powered flight of a heavier-than-air vehicle at Kitty Hawk, North Carolina. Throughout the 1890s, the Wrights had been studying aeronautics and experimenting with flying devices. Both the automotive and aviation ages dawned in early twentieth-century America as a direct outgrowth of the achievements of the late nineteenth. (Ford and the Wright brothers are included in Sorel's painting.)

The Underlying Factor

What underlying factor was responsible for this unprecedented outpouring of innovations, inventions, advances, and new products? The answer should be obvious, but unfortunately, to many historians it is not. It was the political and economic freedom of the capitalist system that enabled these inventor-entrepreneurs to flourish.

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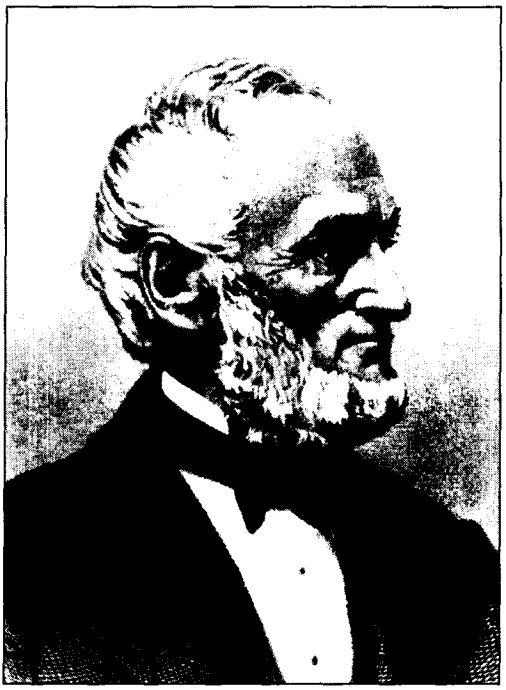
The late nineteenth century (until the proliferation of trust-busting and government controls in the early twentieth century) was the freest period of American history. The leading economists, professors, legal theorists, and judges upheld the principles of individual rights, limited government, economic freedom, and profit-making. Economists such as Amasa Walker, Arthur Latham Perry, and Francis Bowen wrote the leading economics textbooks of the day. Their works—*Science of Wealth, Elements of Political Economy,* and *American Political Economy*, respectively—championed the ability of the free market to create wealth and upward economic mobility.[2] William Graham Sumner (1840–1910), the leading American social scientist of the late nineteenth century, wrote of "The Forgotten Man," the honest laborer who supported himself by productive work. The principle of the Forgotten Man is that he needs the liberty of the American system if he is to flourish. He is the one always victimized by the socialists' schemes to redistribute the income earned by private individuals.[3]

The law writers and legal philosophers of the day shared the same commitment to limited government. The most prominent, Thomas Cooley and Christopher Tiedeman, wrote their major works in the second half of the nineteenth century. The upshot of both Cooley's *A Treatise on the Constitutional Limitations Which Rest Upon the Legislative Powers of the American Union* (1868) and Tiedeman's *A Treatise on the Limitations of the Police Powers of the States* (1886) was the defense of property rights.[4]

In practice, most American judges of the period agreed with the individualistic principles of the country's leading legal philosophers. After the Civil War, American courts generally presumed to be unconstitutional any laws restricting property rights and the rights of both businessmen and workers to set the terms of labor that they deemed best. As one example, the New York State Court of Appeals in 1885 struck down legislation seeking to limit the hours of industrial employment, ruling that such a law violated the rights of both worker and employer to engage in a voluntary transaction.



Amasa Walker (1799–1875)

Additionally, the American courts of the late nineteenth century repeatedly placed severe limitations on the government's power to tax and to subsidize business ventures. The courts generally gave strong support to the capitalist principle that productive enterprise was to be privately funded, owned, and operated. One representative ruling by a Missouri court in 1898 found against governmental paternalism, whether state or federal, and proclaimed that individuals know best how to conduct their own business and personal affairs.[5]

In this era, the U.S. Supreme Court gradually came to be the great defender of an individual's right to property, freedom of contract, and economic liberty. For example, Stephen J. Field (brother of Cyrus Field), for many years a distinguished Justice of the high court, issued profreedom dissenting opinions in such famous disputes as the *Slaughter-House* cases (1873) and *Munn v. Illinois* (1877), holding that the government could prevent neither employers nor workers from entering fields of their own choosing or violate the right of individuals to the full use and disposal of their property. The majority opinion at this time was that the Fourteenth

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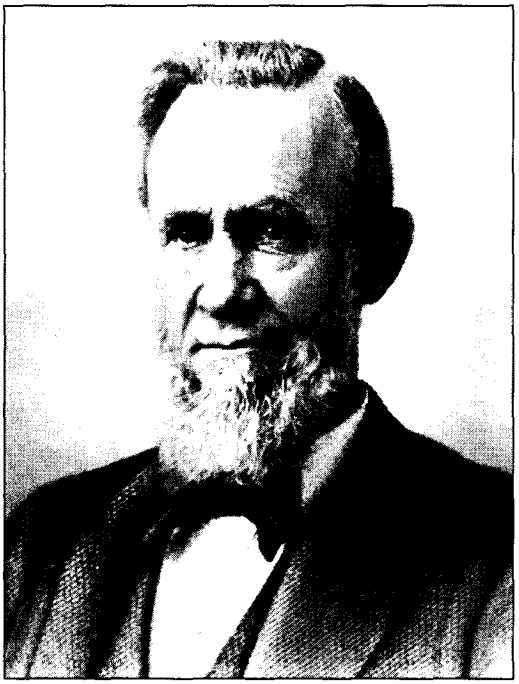

Thomas McIntyre Cooley (1824–1898)

Amendment protected the rights of the recently freed slaves only and that there was nothing in it to prevent the states from interfering in business activities. But by the mid-1880s, after the *San Mateo* case (1882) and the *Santa Clara* case (1886), Justice Field prevailed. Chief Justice Morrison Remick Waite, in an oral statement, spoke for a unanimous bench in 1886, proclaiming that all the justices "understood and accepted the fact that corporations were persons within the equal protection clause of the Fourteenth Amendment." The right of individuals to work and to use their own labor and property as they saw fit now came under the legal protection of the Supreme Court.[6]

Religion and Capitalism

Religious leaders of the period characteristically upheld the virtues of work, frugality, sobriety, and wealth earned through honest effort. The weekly religious periodical *The Independent,* edited for a while by the noted Congregationalist minister Henry Ward Beecher (1813–1887), defended the free market as the means by which both capitalists and workers would achieve material gain. For almost four decades Beecher preached from his influential Brooklyn pulpit the ability of hard-working individuals to rise economically in the capitalist system.[7]

The intellectual, cultural and political climate of the country upheld freedom, limited government, and property rights in this era. The economic results are not surprising. The most innovative and creative minds were free to develop new products and methods, to start their own companies, to bring their innovations to the marketplace, to convince consumers that the new products were superior to the old and, in time, to earn fortunes. There were few government bureaucrats and regulators to prohibit their activities, restrict their output, dictate working conditions, or limit their market share. "The first condition of this proliferation was that the innovations did not require the assent of governmental . . . authorities."[8]

Most of the innovators of the Inventive Period were entrepreneurs who sought and made wealth by virtue of their creative work. Edison retired with a net worth of $12 million, an enormous sum in those days. His inventions were profit-driven. "Edison's Menlo Park laboratory was conceived to bring scientific knowledge to bear on industrial innovation. . . . Its inventions were goals chosen with a careful eye to their marketability."[9]

ENGRAVING BY GEORGE E. PERINE

Henry Ward Beecher (1813–1887)

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Such instances were numerous during the Inventive Period. Eastman, Westinghouse (Westinghouse Electric Company), and Ford are all examples of innovator-entrepreneurs who developed their new products into profitable business ventures. Willis Carrier (1876–1950) invented the air conditioner in 1902, held more than 80 patents by the 1940s, and founded the manufacturing firm that bears his name. (He also made Sorel's painting.) Bell's most famous invention led, of course, to the founding of the Bell Telephone Company. Roebling made a fortune from his wire-manufacturing company, as did McCormick from his firm's producing the reaping machine and other farm equipment. Colt was an entrepreneur who opened his own plant, Colt Patent Arms, in 1855. He pioneered advanced manufacturing methods such as the production line and the use of interchangeable parts, making his company the largest private armory in the world. Isaac Merritt Singer (1811–1875) wanted a commercially practical sewing machine and brought together several related patents to create his immensely popular product. By 1860, he was the largest manufacturer of sewing machines in the world. A business innovator, Singer began such practices as installment buying, advertising campaigns, and service with sales.

Because of the climate of political and economic freedom during the Inventive Period, America's entrepreneurs were able to revolutionize the fields of heavy industry on which general prosperity depended. Between 1860 and 1900, American output of bituminous coal increased by 2,260 percent, crude petroleum by 9,060 percent, steel by 10,190 percent, and other industries increased by similar amounts.[10] Industrialists such as Andrew Carnegie (1835–1919) and John D. Rockefeller (1839–1937) built Carnegie Steel and Standard Oil into enormously productive concerns that flooded the country with steel and oil products. In the 1880s and 1890s, the great railroad man James J. Hill (1838–1916) constructed the Great Northern Railroad with only private funds to the immense betterment of people in the northern plains and northwest states. It goes without saying that Carnegie, Rockefeller, and Hill earned great wealth.

COURTESY SINGER MANUFACTURING CO.

Isaac Merritt Singer (1811–1875)

The lesson of the Inventive Period can be applied today. Political and economic freedom will lead to widespread innovation. This principle can already be seen in the computer industry, in which the relative absence of government regulation has enabled such innovators as Steve Jobs, Stephen Wozniak, Bill Gates, Michael Dell, and others to create an information revolution and to earn fortunes in the process.

To defend freedom against the distortions of the anti-capitalist historians it is important to reject the inaccurate and opprobrious title of "the Gilded Age" for the late nineteenth century. We must recognize and celebrate the true nature of the era. It was the Inventive Period. □

1. See www.cooper.edu/engineering/chemechem/general/cooper.html.
2. Louis M. Hacker, *The World of Andrew Carnegie, 1865–1901* (New York: J.B. Lippincott, 1968), pp. 68–73.
3. Ibid., pp. 81–85.
4. Ibid., pp. 86–92.
5. Ibid., pp. 95–96.
6. Ibid., pp. 98–107.
7. Ibid., pp. 74–80.
8. Nathan Rosenberg and L.E. Birdzell, *How the West Grew Rich* (New York: Basic Books, 1986), p. 265.
9. Ibid., p. 250.
10. Hacker, p. xxxi

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Government

The California Power Mess

Years ago, California state senator Bill Richardson (not the former energy secretary) wrote an instructive little book about politicians with a charming title: *What Makes You Think We Read the Bills?* The electricity debacle in the Golden State makes me think there's a need for an updated version. The title could be *What Makes You Think We Read Anything at All?*

It's customary in public-policy discussion to treat the views of others with a certain dignity, as though they represent legitimate differences of opinion. But what happened in California was utter, certifiable, and inexcusable "lunacy," as Treasury Secretary Paul O'Neill put it. Saying so is also completely bipartisan: Every single legislator of both parties voted for the 1996 bill that bore its fruit in recent months in the form of random blackouts and soaring prices.

The geographic boundaries of the crisis ought to tell us something right up front. Drive one mile across the California border in any direction and there's no power problem. This is not a crisis of the free market. It is a *political* crisis confined to the jurisdiction of which so-called public servants are in charge. It is a crisis made in Sacramento by consenting adults whose appalling ignorance of the most basic principles of economics will get them all fired if there's any justice in this world. Moreover, anybody who has the gall to call what they did "deregulation" is no better informed than the culprits themselves.

It is not "deregulation" when government fixes retail prices, forces companies to sell their power plants and bans them from buying power through long-term contracts, creates a state-run power broker, and stifles additional supply while demand soars. All this California did in the name of "deregulation"—and it did it in the form of a law the size of a city phone book. True deregulation would have actually freed markets to operate according to supply and demand. It would have removed rules and barriers instead of creating a mass of new ones. It would have granted government *less* control, not more.

We cannot overestimate the extent to which the assumptions built into California's botched "deregulation" attempt flouted long-settled and elementary principles of economics. This is the frustrating aspect of the whole mess, the reason it's hard for any market economist to write about it without grinding teeth. Didn't anybody in the California legislature ever read any economics?

Consider this: Prices are the signals of the marketplace. They tell us infinitely more than the most deluded, narcissistic central planner could ever dream of knowing—things like what people want, how badly they want it, where and when they want it, and what they're willing to pay for it. Prices also direct production—they tell suppliers to create more of something or create less and switch instead to other, more valued lines of work in concert

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with conditions of supply and demand. We know that when prices are fixed by government decree, they can't do any of these miraculous things effectively. If mankind has learned anything from hundreds of years of research, study, and exposition in economics, surely that's it.

Retail Prices Fixed

But not California legislators. They fixed retail prices of electrical power, perhaps because they thought they were immune to the laws of the marketplace or because they just didn't think at all. In any event, a funny thing happened on the way to electrical Nirvana in La-La Land. Electricity demand rose twice as fast in California as in the nation as a whole. Stripped of the power plants the law required them to sell, Golden State utilities had to buy power in a government-managed wholesale market where prices were rising—rising in part because of a harsh winter, a strong economy, and a regulatory environment that prevented any new power plants from being built in over a decade.

In the last six months of 2000, the two largest utilities alone spent $11 billion more to purchase electricity from power producers than the state's price controls allowed them to recoup through sales to customers. In late January the state's two largest utility companies were hemorrhaging cash and facing bankruptcy.

The 1996 law created something called the "Power Exchange," which Adrian Moore of the Reason Public Policy Institute describes as "a mandatory bidding pool where all sellers of electricity are paid the price of the last bidder needed to meet total demand, which is the highest bidder." A new state agency called the "Independent System Operator" took over operational control of California's electricity transmission grid. Only in bureaucratese could this painstaking, centralized micromanagement be termed "deregulation."

One effect of this Rube Goldberg contraption was to prevent utilities from making long-term contracts for power. All the electricity they purchased had to be bought in the spot market, where prices are agreed to according to conditions at the current moment and delivery is immediate. Long-term contracts historically allowed utilities to lock in their power costs and thereby give them some protection against high and erratic spot-market prices. Moreover, the "deregulation" scheme mandated that utilities cannot look outside the government's power exchange for cheaper sources of power.

With deregulation in other states looking much more like the real thing, new power plants are being constructed to meet growing demands. But not in California. Texas power companies have added 5,700 megawatts of generating capacity over the past five years—nine times what California has added. It's nearly impossible to build a new power plant anywhere in the Golden State because of the most cumbersome, time-consuming, and costly regulations in the country. No new plants in California have been built in 15 years. Indeed, according to *Investor's Business Daily*, California "produces less power per resident than any other state and imports one-quarter of its energy from places as far away as Quebec."

So add it up: Don't let anyone build a power plant. Slap on retail price controls that guarantee that utilities' costs will far exceed what they can get for the power they sell. Forbid companies from getting the best deals in an open marketplace. Force utilities to get rid of their power plants and buy power through a government bureaucracy. This is not rocket science. It is a surefire prescription for disaster that can't honestly be labeled deregulation.

The California power meltdown has one source and one source only: politicians. It has nothing to do with the free marketplace. The people who thought they knew more than the market and could "plan" the state's electrical future need to step up to the plate, take responsibility, apologize profusely, rid the books of their nightmarish schemes, and promptly find honest work. □

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IDEAS ON LIBERTY
APRIL 2001

What Am I Missing?

by Ralph Hood

My "liberal" friends bemoan the exploitation of third-world peoples by first-world capitalists. We must, they say, stop this horrible mistreatment of the downtrodden by greedy capitalist pigs.

I did some research myself and found exactly the situation they deplore. Furthermore, the sob-sister "liberals" have not yet discovered this blatant example of a multinational corporation profiting from the ill-use of the masses.

Consider this true and current example. A huge multinational corporation—a household name throughout the world—has moved into a low-income area with promises of jobs that pay better than the local average. Actually, those jobs pay below the average for that industry, but the locals do not seem to care.

The multinational says it will hire about 1,500 people. (Although this announcement was made with much fanfare many months ago, so far the corporation has hired fewer than 20 people. The rest, it says, will be hired in the future.) To date, more than 30,000 people have applied for those 1,500 promised jobs. These are non-union jobs in a union-dominated industry, but the locals seem eager to leave their traditional way of life to grab these opportunities.

The local government joined forces with the multinational in every way. It offered the multinational monetary incentives—dare we say bribes?—to come in and take advantage of local workers. Local merchants, eager for U.S. dollars from any source, joined the plot to lure the corporation. Signs of welcome are prominently displayed in businesses throughout the area. Once the multinational agreed to come, local leaders and politicians rushed to take credit. The populace praises them for bringing new jobs. None seem to realize that they have joined into a nefarious scheme that will change forever the life they have enjoyed for generations.

What is the corporation? Honda. Where is the location? Lincoln, Alabama, USA.

Honda, courted and lured by the town, the county, and the state, is building a plant in the vicinity of Lincoln. All involved, including members of both political parties, "liberals" and conservatives alike, see this as a great boon for the area. In fact, the area has probably never seen an event so universally declared to be good for one and all.

They are right. It is a good thing. It is good for Alabama, Honda, the customer, and the country. It will lower the price of the product while raising the average pay in Lincoln. That is plain to see.

But one thing I do not understand—if it is so good for Alabama, how come it is so awful when the same thing takes place in a third-world country? What am I missing here? □

Ralph Hood is a writer in Huntsville, Alabama.

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IDEAS ON LIBERTY
APRIL 2001

Reflections on Self-Responsibility and Libertarianism

by Nathaniel Branden

The traditional American values of individualism, self-reliance, self-discipline, and hard work had their roots, in part, in the fact that this country began as a frontier nation where nothing was given and everything had to be created. To be sure, most Americans exhibited a strong sense of community, and they certainly practiced mutual aid. But this was not seen as a substitute for self-responsibility. Independent people helped one another when they could, but everyone was expected to carry his or her own weight. People were not encouraged to believe they enjoyed special "entitlements."

The Declaration of Independence proclaimed the revolutionary idea that a human being had a right to life, liberty, and the pursuit of happiness. This meant not that he or she was owed anything by others, but rather that others—including the government—were to respect the individual's freedom and the inviolability of his or her person. It is only by the use of force or fraud (which is an indirect form of force) that human rights can be infringed, and it was force and fraud that were, in principle, barred from human relationships.

This rejection of the initiation of force in human relationships was the translation into political and social reality of the eighteenth-century precept of natural rights—that is, rights held by individuals not as a gift from the state but rather by virtue of being human. This idea was one of the great achievements of the Enlightenment.

The principle of inalienable rights was never adhered to with perfect consistency. The U.S. government claimed the privilege of certain exceptions from the very beginning. And yet the principle remained the guiding vision of the American system. For a long time, it was what America stood for: Freedom. Individualism. Private property. The right to the pursuit of happiness. Self-ownership. The individual as an end in himself, not a means to the ends of others, and not the property of family or church or state or society.

Lord Acton observed, "Liberty is not a means to a higher political end. It is itself the highest political end." This premise is what America was perceived to stand for and embody. The United States was the first country in the history of the world to be consciously created out of an idea—and the idea was liberty.

Observe that the inalienable rights on which this system was based were negative rights in that they were not claims on anyone else's energy or production. In effect, they merely proclaimed, "Hands off!" They made no demands on others except to abstain from coercion. I may not impose my wishes or ideas on you by force, and you may not impose yours on me. Human dealings are to be voluntary. We are to deal with one another by means of persuasion.

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In the arena of political economy, the name given to this system in its purest, most consistent form was laissez-faire capitalism. In nineteenth-century America, with the development of a free-market society, people saw the sudden release of productive energy that previously had no outlet. They saw life made possible for countless millions who had little chance for survival in precapitalist economies. They saw mortality rates fall and population growth rates explode. They saw machines—the machines that many of them had cursed, opposed, and tried to destroy—cut their workday in half while multiplying the value and reward of their effort. They saw themselves lifted to a standard of living no feudal baron could have conceived. With the rapid development of science, technology, and industry, they saw for the first time in history the liberated mind taking control of material existence.

In the United States during the nineteenth century, productive activities were predominantly left free of government regulations, controls, and restrictions. True enough, there was always some government intervention into economic activities, and some businesspeople sought government favors to provide them with advantages against competitors that would have been impossible in a totally free market. (Businesspeople as a group have not been enthusiasts for true laissez faire.) And there were other injustices reflecting inconsistency in protecting individual rights: the toleration of slavery and legal discrimination against women. But in the brief period of a century and a half, the United States created a level of freedom, of progress, of achievement, of wealth, and of physical comfort unmatched and unequaled by the total sum of mankind's development up to that time.

Opening the Doors to Achievement

To the extent that various other countries adopted capitalism, the rule of brute force vanished from people's lives. By closing the doors to force, capitalism threw them open to achievement. Rewards were tied to production, not to extortion; to ability, not to brutality; to the capacity for furthering life, not to that for inflicting death. For the first time in history, intelligence and enterprise had a broad social outlet—they had a market.

Much has been written about the harsh conditions of life during the early years of capitalism. When one considers the level of material existence from which capitalism raised people and the comparatively meager amount of wealth in the world when the Industrial Revolution began, what is startling is not the slowness with which capitalism liberated men and women from poverty, but the speed with which it did so.[1] Once individuals were free to act, ingenuity and inventiveness proceeded to raise the standard of living to heights that a century earlier would have been judged fantastic.

But there was a price. A free society does not imagine that it can abolish all risk and uncertainty from human existence. It provides a context in which men and women can act, but it does not and cannot guarantee the results of any individual's efforts. What it asks of people is self-responsibility.

The desire for security is entirely reasonable if it is understood to mean the security achieved through the legal protection of one's rights and through one's own savings, long-range planning, and the like. But life is an intrinsically risky business, and uncertainty is inherent in our existence. No security can ever be absolute.

This is accepted more readily if you have a decent level of self-esteem—that is, if you have fundamental confidence in your ability to cope with life's challenges. But to the extent that self-esteem is lacking, then the self-responsibility that a free society requires can be terrifying. Instead, we may long for a guaranteed Garden-of-Eden existence in which all our needs are met by others. We can observe this attitude in the two main camps that opposed a free-market society in the nineteenth century: the medievalists and the socialists. Longing for some version of a resurrected feudal order, the medievalists dreamed of abolishing the Industrial Revolution. They found spiritually repugnant the disintegration of feudal aristocracy, the sudden appearance of fortune makers from back-

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grounds of poverty and obscurity, and the emphasis on merit, productive ability, and above all, the pursuit of profit. They longed for a return to a status society. "Commerce and business of any kind," wrote John Ruskin, "may be the invention of the devil."

The socialists wished not to abolish the Industrial Revolution but to take it over—to retain the effect—material prosperity—while eliminating the cause—political and economic freedom. They cursed the "cold impersonality" of the marketplace and the "cruelty" of the law of supply and demand, and above all they cursed the pursuit of profit. They proposed to substitute the benevolence of a commissar.

In the writings of both we can distinguish the longing for a society in which everyone's existence is automatically guaranteed—that is, in which no one bears responsibility for his existence and well-being. Both camps characterized their ideal society by freedom from rapid change or challenge, or from the exacting demands of competition. It was a society in which each must do his prescribed part to contribute to the well-being of the whole, but in which no one faced the necessity of making choices that crucially affected his life and future. It was a society in which rewards were not related to achievement and in which someone's benevolence assured that you never had to bear responsibility for the consequences of your errors. The sin of capitalism, in the eyes of its critics, was that it did not deliver this protection.

While capitalism offered spectacular improvements in the standard of living and undreamed-of opportunities for the ambitious and adventuresome, it did not offer relief from self-responsibility. It counted on it. It was a system geared to individuals who trusted themselves—trusted their minds and judgment—and who believed that the pursuit of achievement and happiness was their birthright. It was a system geared to self-esteem.

The Evolution of Rights

In the earlier years of our history, when people spoke of rights they meant either the actual rights described above or their derivatives, as spelled out in the Constitution and Bill of Rights. Or they meant contractually acquired rights, such as the right to take possession of a piece of property you have purchased. In the first two instances, the primary focus was on protecting the individual citizen against the government. Insofar as these rights pertained to relationships in the private sector, the sole obligation of people was to abstain from using force or fraud in their interactions with others. In the case of contractually acquired rights, the sole obligation was to honor your agreements and commitments. No great drain on the public treasury was required to secure such rights—nothing remotely approaching a third or half of one's income. The cost of government's performing this function was marginal.

But in the twentieth century, a new notion of rights became fashionable that negated the earlier ones. Ironically, it was the very success of the American system that made this development possible. As our society became wealthier, it began to be argued that people were "entitled" to all sorts of things that would have been unthinkable earlier. One hundred years ago, few would have suggested that everyone had a "right" to "adequate housing" or "the best available health care." It was understood that housing and health care were economic goods and, like all economic goods, had to be produced by someone. They were not free gifts of nature and did not exist in unlimited supply. Now, however, at the sight of our growing prosperity, intellectuals and politicians credited not freedom but the government for the new wealth. And they began to declare that government could do more than merely guarantee the protection of rights and establish a more or less level playing field, which was the original American idea but which now seemed too modest a goal. Government could become an agency for achieving any social goal thought to be desirable. In the growing enthusiasm for government regulation, planning, and expanded "services," especially since the 1930s, it was not a long step from "it would be desirable" to "people are entitled." Desires thus became rights.

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For example, if a man wanted to be a farmer, then under the philosophy of Roosevelt's New Deal the fact that his farm could not support itself need not be an impediment: Agricultural subsidies could make his desire attainable. Of course, to correct the "mistakes" of free-market capitalism, political coercion became necessary. For wealth to be "redistributed," first it must be created and then it must be expropriated. Citizens' taxes paid the farm subsidies. These subsidies had the effect of driving up the cost of farm products, for which, again, citizens paid. Their rights were expendable. Whenever artificial "rights" are enforced by a government, genuine rights inevitably are scarified.

Under pure capitalism—that is, a system based on the inviolability of individual rights—a farm that could not maintain itself in a free market could not remain in existence. Under an increasingly "mixed economy," the impossible became possible by transferring to others the burden of one's failures, which the government alone had the power to enforce. This particular program was introduced by a Democrat, but for a very long time it was hard to find a Republican politician—notwithstanding all the free-enterprise rhetoric—who would dare challenge the sacred cow of farm subsidies (or some other form of financial aid), since so many of these farmers were (and are) Republicans.

Undermining Self-Responsibility

I shall not attempt to retrace the steps by which the United States moved from something close to laissez faire to the extravagantly regulated system we have today. Here, I want to focus on the role the government has played in undermining respect for self-responsibility in our society—and in creating a nation of dependents who can no longer imagine a life without government support, involvement, and regulation. (German Chancellor Otto von Bismarck, generally credited as being the father of the welfare state, clearly articulated the understanding that the way to build a base of political power was to create a nation of dependents on government "benevolence.")

Under a mixed economy, government intervention can take many forms, but the essential pattern is always the same: the violation of the rights of some (or all) individuals in the name of allegedly serving the interests of a particular group.

I say "allegedly" because the welfare programs were intended to solve problems that have worsened steadily since the legislation was enacted. This is made devastatingly clear in such powerful critiques of our welfare system as Charles Murray's *Losing Ground*.

The world of government operates very differently from the world of business. In business, when millions of dollars are poured into a project that does not deliver on any of the promises of its advocates, the project is typically dropped and the judgment of its advocates is reassessed. Not having unlimited resources, business is obliged to pay attention to outcome. Failure is a signal to go back to the drawing board. In the world of welfare, entitlement programs, and "social engineering" overseen by bureaucrats with the business acumen of social workers, outcome is less important than intentions.

Never mind that the underclass expanded, rather than diminished, as the programs expanded. Never mind that the most important economic gains made by African-Americans took place before President Lyndon Johnson's civil rights legislation, that many black leaders say that the situation has worsened since, that government policies and programs have encouraged millions of people to think of themselves as helpless children for whom dependence on the state is a necessity. Never mind that our "humanitarian" tax laws and welfare system (though reformed somewhat in recent years[2]) have played a major role in the breakup of black families by financially penalizing a family that remains intact and rewarding one in which the husband departs. (The absence of a male figure in the household has been tied to young people's disposition to crime, teenage pregnancy, and drug addiction.) Never mind that the people the programs were designed to help have fallen farther and farther behind. Never mind that our welfare/entitlement programs have created a nation of dependents. If our motive is

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compassion for the unfortunate, it seems we do not have to be concerned with those whose rights are sacrificed to pay for it—nor what kind of personal and social outcomes we produce.

The message of our welfare system has been that we are not responsible for our lives and well-being. The message of our legal system is that we are not responsible for our actions. (Has getting away with murder ever been easier in a civilized society?) The message of our political leaders throughout most of this century is that if they are elected, ways can always be found to transfer the burden of our needs and our mistakes to someone else.

That last message is the essence of a mixed economy. Such a system means government by pressure groups, a state of affairs in which various gangs ("special interests") compete for control of the machinery of government to win legislation providing them with the particular favors or protections they seek, always justified, needless to say, by ritualistic references to "the common good."

Our government has poured into regulatory agencies, welfare programs, and every imaginable kind of statist intervention trillions of dollars that in private hands could have been put to productive use. What we have to show for it is a society characterized by:

- Increasing polarization between every kind of social faction;
- Massive, inarticulate rage against and suspicion of anyone who does not share our opinions;
- Widespread cynicism;
- Escalating conflict between young and old (provoked by the Social Security program, among other things);
- Increasing conflict among ethnic groups;
- An intractable underclass, nurtured by intellectuals who advocate more of the poison that is killing it—the politics of victimology and entitlement.

Government is not the sole cause of these problems, although its contribution has been enormous. A fact avoided by our political world is that all the social evils government intervention was supposed to ameliorate have grown steadily worse in direct proportion to the degree of the intervention.

Am I suggesting that no social group has improved its circumstances over the past half-dozen decades? Of course not. What I am saying is that government efforts were not responsible, despite the self-congratulatory propaganda to the contrary.

During the 1980s, for example, women enjoyed historically unprecedented gains in wages, in entry into such traditional male professions as business, law, and medicine, and in education. According to studies by three women economists reported in the *New York Times*, in that one decade women made almost as much progress as in the preceding 90 years. This was principally due to economic forces that drew more and more women into the marketplace, and also to shifts in our values regarding women's role in the world. In other words, these gains were in the voluntary domain, not the coercive (political) domain.

West Indian blacks in the United States, who come from a background of intact families, respect for hard work, and an ethic of self-responsibility, have not typically looked to the government for special forms of political protection and favoritism. They take any work available, often beginning on the lowest levels, just to get started in the economy; they may begin on low levels, but they do not remain there. They rise as fast or faster than many whites. "Second-generation West Indians have higher incomes than whites," reports economist Thomas Sowell in his illuminating study *Ethnic America*. Furthermore, he writes, "As of 1969 . . . [w]hile native blacks had an unemployment rate above the national average, West Indian blacks had an unemployment rate beneath the national average." They are a walking refutation of standard explanations of poverty among blacks primarily in terms of racial discrimination. They sometimes look with quiet scorn on those African-Americans for whom their victimhood, helplessness, and necessary dependency are axioms, and who regard low-paying, menial jobs as beneath their dignity but do not regard welfare is beneath it. (It should also be said that there are many African-Americans

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who share the West Indian perspective.) Both groups are black, but the difference in how far and how fast they rise is an issue of differences in their culture and values. A mindset of self-responsibility is not a peripheral but a central issue here.

As to those who are genuinely in trouble and not merely cashing in on the philosophy of entitlement, do I believe it a proper human goal to alleviate suffering and offer a helping hand? Of course. There are, however, many things I am in favor of that I do not see as proper functions of a government. Charity is one of them. The question is not whether one believes in benevolence and mutual aid. The question is whether one thinks in terms of voluntary choice or governmental coercion. Kindness is a virtue, to be sure. But it is not grounds for sacrificing individual rights. Nothing is. And it is one of the many intellectual ironies and disgraces of our age that those who protest coercion are called "cruel" and "reactionary," while those who embrace it are called "compassionate" and "progressive."

There is nothing compassionate or progressive about imposing one's values on others at the point of a gun. And that, ultimately, is what we are talking about, however it is rationalized and dressed up to sound "liberal" and "enlightened."

The ideal of self-responsibility in no way forbids us to help one another, within limits, in times of need. As noted, Americans have a long tradition of doing this. We are the most charitable people in the world. This is not a contradiction but a natural result of the fact that ours is the first and still the only country in history to proclaim the right to selfishness in "the pursuit of happiness." The happiness the Declaration of Independence refers to is our own. In proclaiming and defending our right to pursue our own self-interest, to live for our own sake, the American system released the innate generosity in everyone (when they are not treated as objects of sacrifice). It is interesting to observe that during the 1980s, the so-called "decade of greed," Americans gave more than twice the amount to charity they had given in the previous decade, in spite of changes in the tax laws that made giving less advantageous. Our private, not-for-profit organizations—the Boy Scouts and Girl Scouts, the Salvation Army, churches, not-for-profit hospitals, and philanthropic agencies of every conceivable kind—perform benevolent work far more extensive than in any other country.

What needs to be challenged in our country today is not the desirability of helping people in difficulty (intelligently and without self-sacrifice), but rather the belief that it is permissible to abrogate individual rights to achieve our social goals. We must stop looking for some new use of force every time we encounter something that upsets us or arouses our pity.

We hear a great deal about the need for a "greater sense of community." Government by pressure group is the antagonist of community. This is why I stress that individualism and self-responsibility are the necessary foundation for true community. If we are free of each other, we can approach each other with good will. We do not have to be afraid. We do not have to view each other as potential objects of sacrifice, nor view ourselves as potential meals on someone else's plate. If we live in a culture that upholds the principle that we are responsible for our actions and the fulfillment of our desires, and if coercion is not an option in the furtherance of our aims, then we have the best possible context for the triumph of community, benevolence, and mutual esteem.

Are there now and will there continue to be severe social problems challenging our resourcefulness, inventiveness, and ingenuity? Yes. Will other people sometimes make choices we can neither agree with nor admire? Inevitably. That is the nature of life. But a culture of self-responsibility is not just the best chance we have to create a decent world. It is the only chance. □

1. For example, with respect to the impact of the Industrial Revolution and capitalism in England, a 1983 study by Peter Lindert and Jeffrey Williamson found that the real wages of English blue-collar workers doubled between 1819 and 1851.

2. See Norman Barry, "The Never-Ending Welfare Debate," *Ideas on Liberty*, March 2001, pp. 19–23.

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IDEAS ON LIBERTY
APRIL 2001

The Other Political Story

Unfortunately, last year's presidential election was a mess. Unfortunately, the congressional elections were not.

While it proved difficult to determine who won the presidency, it was not difficult to determine who controlled Congress. Only six House incumbents lost, yielding a re-election rate of 98.5 percent.

Despite the Democrats' desperate push to win the six seats necessary to take control, they defeated only four GOP incumbents. Despite an equally desperate GOP push to preserve its majority, Republicans defeated only two Democratic incumbents.

In short, politics is back to normal—as it was before the big Republican gains of 1994. No matter what the national political climate, most incumbents win.

No wonder, then, that the conduct of most congressmen is so uninspiring. Why think about principle? Why develop hard solutions? Why make tough decisions? Why take any chances?

Instead, grab the free ride and don't rock the boat. And enjoy the perks along the way.

Enjoy them legislators certainly do. A new study by Peter Sepp of the National Taxpayers Union Foundation catalogs the life of privilege lived by supposed public servants at taxpayer expense. As Sepp puts it, "members of the United States Congress enjoy a vast web of perquisites that benefit them personally as well as professionally." There are: generous salaries, hovering near a postwar high; pensions that dwarf, by two to three times, private benefits; heavily subsidized health and life insurance; limousines, Capitol Hill parking spots, and special airport lots; travel junkets around the world; and everything from fancy offices and unique death benefits to cheap haircuts and health clubs.

The most outrageous perks, however, are political rather than financial. They help ensure members' re-election. Free postage for example, allows members to inundate their districts with propaganda. Reports Sepp: "In past election cycles, Congressional incumbents have spent as much on franking alone as challengers have spent on their entire campaigns."

Equally important are the many de facto ombudsmen on congressional staffs, who handle constituent services. Having created an expansive, expensive regulatory state, legislators then generously use their clout to relieve a bit of the burden from their constituents—who are expected, in turn, to gratefully contribute to their campaigns and vote for them.

Most campaign reform activists don't care about high re-election rates, but were appalled by the November election nonetheless. It was a horror show for them because Republican George W. Bush raised and spent more money than any other candidate in history. His opponent, Democrat Al Gore of Buddhist Temple fame, participated in the Democratic Party's extravagant rule-breaking in 1996. Gore's

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supposedly reformist running mate, Senator Joseph Lieberman, played the game like any other politician.

Reforms Worse than the Problems

The current system does look broke. The only thing worse is every proposed reform.

Fund-raising will never be pretty. But then, neither is politics: as Germany's Otto von Bismarck famously said, no one should watch his sausages or his laws being made. Or, it seems, the conduct of his elections.

The main business of Congress today is income distribution, direct and indirect. So long as Uncle Sam hands out nearly two trillion dollars in loot every year and uses its rule-making power to enrich or impoverish entire industries, individuals and companies will have an incentive to spend millions to influence the political process. And they have a perfect right to do so.

Alas, "campaign reform" would only exacerbate the problem. Attempts to limit contributions and spending, impose tax funding, and bar independent expenditures would further entrench incumbents.

Incumbents would retain all their unfair franking and ombudsman advantages—as well as their natural advantage in generating publicity. Challengers would not be able to raise more money in response, which they can now, even if only occasionally. Limiting donations by "special interests" would inevitably affect all citizens, since everyone belongs to one "special interest" or another. Tax financing would deny citizens the basic right of political participation and force taxpayers to underwrite the campaigns of candidates whom they may despise.

But "campaign reform" would disadvantage more than outside candidates. It would also disadvantage citizens, whose will is supposed to be served by the electoral process.

And they certainly have something important at stake: Absent constant and close oversight, politicians will loot and regulate the productive to enrich the envious.

But keeping tabs on self-serving politicians is not easy. Only a few people have the time and inclination to walk precincts. Fewer still set up shop in Washington to monitor politicians' misbehavior.

For most people, making a campaign contribution is the most effective way to participate in politics. "Campaign reform" would circumscribe their opportunities.

Moreover, any attempt to manipulate the election rules would merely advantage other players. For example, the 1974 "reforms" limited contributions by the wealthy but led to the creation of political action committees (PACs). Cutting corporate "soft money" would benefit labor unions, which often deploy legions of volunteers.

The people and organizations with the most power today would almost certainly be further empowered by proposed reforms. For instance, journalists would gain an even greater stranglehold as gatekeepers to public attention. Celebrities, too, would benefit from further campaign controls.

Indeed, past "campaign reform" has merely rearranged rather than eliminated special-interest influence. The 1974 legislation, by barring large contributions, encouraged the creation of PACs. Similar legislation today would merely encourage another feverish search for loopholes.

Real reform is needed, but that means creating electoral competition. A first step would be to drop all contribution limits and instead require full disclosure. Then let citizens take a candidate's fund-raising practices into account when they vote.

Killing unfair congressional perks is also necessary. Imposing real term limits is critical.

Until we do this, congressional races, unlike the contest for president, are likely to remain all too predictable. Most incumbents run for re-election; most incumbents win; most incumbents abuse the public. Then the cycle goes on again, and again.

Most important, campaign reformers should work to shrink government. Then special interests would have an incentive to spend more time producing and less time politicking. □

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IDEAS ON LIBERTY
APRIL 2001

Regulation by Reputation on the Net

by Aaron Steelman

When I started collecting sports cards in the early 1980s, there were basically two places to purchase memorabilia: at shops owned by veteran collectors and at shows where dealers from around the country would rent tables to display their goods.

Today, the hobby is different. There are still shops and shows, and like thousands of other collectors I continue to go to them. I do so for three reasons. First, I like to talk to people in the hobby. Second, I enjoy looking at rare cards and autographs, even if I have no intention of buying them. Third, at most large shows, there are star players from the past signing autographs; it is a thrill to meet them.

But shops and shows are no longer essential. One can be an active collector without ever leaving home. The reason: online auctions.

In December 1999, I became a registered user on eBay. Since then, I have purchased dozens of cards from sellers across the United States and Canada. Some transactions have been better than others. But so far, I have not had what I would call a "bad" transaction. In short, eBay's reputation system has worked well. Let me explain.

When a user visits www.ebay.com, he typically goes to the search engine and enters the item he wants. For example, I might type "Gordie Howe." All Gordie Howe items will then be listed, and I will click on the items that most interest me. The current bid price, the date and time the auction closes, the location of the seller, and the terms of the sale (for instance, the shipping costs and the forms of payment accepted) will be stated.

In addition, one can look at the seller's "feedback"—that is, how previous buyers have rated their transactions with the seller. Buyers can rate transactions as "positive," "neutral," or "negative." They can also post short comments to provide more detail about their experiences. For instance, a buyer posting a negative comment might state that it took a month for his item to arrive or that it was damaged because the packaging was poor. In addition, sellers can post feedback about buyers. For instance, if a bidder reneged, that will almost surely be reported. Future bidders and sellers use this feedback as a guide.

Usually, I bid on items from sellers with very good reputations. If a seller's positives don't outnumber his negatives by 15 to 1, I tend to steer clear. But not always. I have bid on a few items that were offered by sellers with less than immaculate feedback. But my bids reflected the higher risk that I was taking. In short, I bid less than I would have had the seller's reputation been better. From participating in many auctions and observing even more, I have found that most bidders employ a similar strategy.

Daniel Houser and John Wooders, economists at the University of Arizona, have looked at this issue empirically. Their findings are consistent with my anecdotal experience:

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"seller reputation (but not buyer reputation) is a statistically and economically significant determinant of auction prices."* What we have, then, is regulation by reputation. And the system works quite well for most eBay users.

I should note one more thing. Private third-party certifiers, such as Professional Sports Authenticator (PSA) of Newport Beach, California, have been crucial to the sale of sports cards on the Web. The value of sports cards is, in large measure, determined by condition. A card in "mint" condition may be worth 100 times more than the same card in "fair" condition. So it is important for online buyers to be confident that the cards they are purchasing are actually in the condition that sellers claim. For a fee, PSA will verify the authenticity of cards and rate their condition on a 1-to-10 scale. The cards are then placed in sealed plastic cases with identification numbers. Over time, PSA has gained a reputation as an accurate and impartial evaluator of memorabilia. As a result, PSA-graded cards command a premium when sold online. Greg Manning, a veteran dealer from West Caldwell, New Jersey, put it this way in an interview with *Sports Collectors Digest*: "Professional grading allows a buyer the comfort of knowing that the card you are purchasing is authentic, unaltered and in the condition you are searching for."

PSA, then, performs a function for sports-card collectors similar to the one performed by Underwriters Laboratories for consumers of appliances and electronics. □

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IDEAS ON LIBERTY
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Dictatorship of Lawyers

by James Bovard

Law is no longer an impediment to legalized robbery. In area after area, lawyers have achieved court rulings that subvert due process and the rule of law. Unfortunately, while this trend has been derided for more than a decade, legal juggernauts continue to pick up steam.

Entire industries are on the verge of being turned into indentured servants of the political-legal class. Public policy is being made by one legal feeding frenzy after another—and with no reason to expect that the recent jackpots will instill temperance among the legal profession.

The late Clinton administration partnered with trial lawyers to achieve court victories or settlements in cases that portend far greater arbitrary power down the road. That administration was heavily bankrolled by the trial lawyers and fought every proposal to curb the abuses of tort litigation.

In July 2000 a jury decided that tobacco companies must pay $145 billion to people harmed by cigarettes. Legal writer Walter Olson, whose Web site, www.overlawyered.com, offers a wealth of cases of lawyers' abuses, observed, "The size of the verdict came as little surprise to those who'd followed trial judge Robert Kaye's relentlessly anti-defense rulings. For example, Judge Kaye ruled that in calculating a basis for punitive damages there was no reason jurors should feel obliged to stop at a sum representing the tobacco companies' net worth. The judge ruled that it was proper to place before the jury the companies' capacity to borrow." Clinton spokesman Joe Lockhart hailed the verdict: "We have always believed that the tobacco industry is responsible for the way they have marketed and produced their products."

The verdict was widely denounced as irrational and excessive. The tobacco companies appealed the decision to a federal court—which refused even to consider their case. It ended up back in Judge Kaye's courtroom, where the judge again berated the companies and sought to expedite them to financial hell.

The Florida verdict is the next-largest hit on tobacco after the $246 billion settlement by tobacco companies of state government Medicaid lawsuits in 1998. At that time, the tobacco companies thought they had bought themselves peace. However, the concessions the companies made at that time have proven to be simply blood in the water drawing more legal sharks. Early this year, a class-action lawsuit went to trial in West Virginia that took tobacco nonsense to a new level. Lawyers demanded that the tobacco companies pay up to $500 million for regular medical checkups for healthy people who choose to continue smoking. An R.J. Reynolds attorney told the Associated Press: "This is an extremely unique case—to have uninjured plaintiffs who have knowingly and voluntarily exposed themselves to the most widely known risk in our

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society, and who are not sick." On the other side of the battle line, a lawyer for the smokers declared that "West Virginians are entitled to obtain monitoring as a result of their exposure to a very toxic group of substances." It would be difficult to imagine a lawsuit that showed greater contempt for individual responsibility. Luckily, it was dismissed.

In earlier times in America, ruinous lawsuits against industries were deterred in part because judges and juries considered the role of a plaintiff's conduct in the harm he suffered. Cigarettes, for instance, were commonly referred to as "coffin nails" 80 years ago; popular folk wisdom recognized that perpetually filling one's lungs with smoke could have dire results. But in recent decades tort law has practically assumed that every citizen is a helpless victim—and that regardless of how stupid or irresponsible a person may be, somebody else must be forced to compensate him for the damage he does to himself. Courts have also become far more welcoming of class-action lawsuits based on sometimes wildly extrapolated harms—which justify looting the nearest "deep pocket."

The legal onslaught against tobacco continues in part because lawyers have discovered that—with enough campaign contributions—state legislators will rewrite laws to guarantee windfall profits for litigators. But the tobacco companies' will to resist was broken in part because of audacious retroactive rule changes in Maryland and Florida.

In early 1998, a Baltimore judge rejected a state government lawsuit against the tobacco industry to compel it to pay the Medicaid costs for Maryland low-income smokers' health problems. The lawsuit failed because the state could not come within a country mile of providing sufficient evidence under the common law to hold the companies liable, that is, to show clear evidence that specific plaintiffs could have had no reasonable knowledge or awareness of the risks of the product they were using. Every pack of cigarettes sold since the mid-1960s has featured a government-mandated health warning, a fact most bothersome to trial lawyers' attempts to prove that tobacco companies suppressed all evidence of cigarettes' risks.

After the trial lawyers handling the case for the Maryland government promised the legislators the lion's share of the booty, the legislators "fixed" the law. As the *Washington Post* summarized: "Lawmakers . . . rewrote the law to permit Maryland to seek compensation for huge sums paid for smoking-related illnesses without having to produce individual victims in court. They also barred cigarette makers from claiming that smokers caused their own illnesses by choosing to smoke."

With this, the tobacco companies' situation appeared hopeless. Maryland Attorney General Joseph Curran bragged that his state's action could have a domino effect: "Other states can now look to Maryland as having had a full, open and complete debate" leading to the conviction of tobacco companies.

The Florida legislature also endeared themselves to trial lawyers by passing legislation that retroactively changed the rules against the tobacco industry. The legislation—which should have been scandalous—was, naturally, upheld by the Florida Supreme Court.

The Florida and Maryland lawsuits were the straws that broke the camel's back. The state legislatures' actions paved the way for the 1998 nationwide settlement that will result in state governments' siphoning off $246 billion from tobacco company revenues over the next 20 years. The settlement was premised on the fact that tobacco companies had wrongfully imposed great burdens on taxpayers because of the cigarettes' role in causing lung cancer, heart disease, and other ailments. But studies by the Congressional Research Service and the Rand Corporation concluded that smokers, by dying early, actually reduce government health-care outlays.

The grand settlement was little more than a political farce. As economist Robert Samuelson observed: "The 40 attorneys general who sued the cigarette companies served mainly as fronts for the anti-tobacco private lawyers. It was the private lawyers who agreed to conduct the cases and pay the costs in return, typically, for hefty contingency fees (up to 25 percent of any award). . . . The settlement mainly reflects private greed and political ambition. The National Association of Attorneys General is often called 'The National

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Association of Aspiring Governors.'" While the settlement was portrayed as a heavy exaction on tobacco companies, in reality it is operating simply as a surtax on cigarette smokers, a group that tends to have lower-than-average incomes.

Weapons Tampering

Beginning in 1998, 28 city governments sued firearms manufacturers, seeking huge settlements for the damage that guns had allegedly caused within their domains. In the tobacco cases lawyers and politicians had at least asserted that tobacco companies had deceived the public about the dangers of smoking. But gun manufacturers had never encouraged Americans to believe that getting shot is good for you. These lawsuits failed the laugh test again and again: judges tossed numerous cases out as without merit.

But the Clinton administration was determined to demonize firearms, weaken the firearms industry, and use tort law to torpedo the Second Amendment. The administration sought to blame gun makers for all the violence in public housing projects—which is like blaming microphones for all the lies that politicians tell. The Department of Housing and Urban Development (HUD) is renowned for doing a poor job of policing its projects, Former Secretary Andrew Cuomo was happy to have a scapegoat and an excuse to get his name back in the news. The administration worked tirelessly to create the political atmosphere and consensus that would allow trial lawyers to bludgeon gun makers.

On March 17, 2000, Clinton announced that Smith and Wesson, the nation's largest gun manufacturer, had agreed to sweeping new controls over its gun designs and marketing, and new restrictions on gun buyers. Smith and Wesson had been in a precarious financial position, and the British-owned company decided it could not afford to fight multiple court attacks around the nation and from Washington.

The settlement exemplifies how trial lawyers and politicians abuse tort law to attempt to seize absolute power over an industry and all its customers. The settlement also illustrates how political operatives use the coercion of bogus litigation to achieve "concessions" from corporate targets that could never make it through the legislative process.

Cuomo, the prime architect of the deal, declared of the new specifications for firearms: "This is a product that did not exist last week. . . . This will do to the [gun] industry what FedEx did to the [delivery] industry. This is a better mousetrap." For the Clinton administration, the more difficult a gun is to fire, the safer it is. This is the Rosetta Stone that is necessary to understand Clintonite claims that the "agreement" improves gun safety.

The administration pressured Smith and Wesson and other gun manufacturers to sign a "code of conduct" that apparently originated in anti-gun hell. Jeff Reh, general counsel for Beretta (which provides the standard sidearm for the U.S. military), noted that "the 'code of conduct' bans almost all semiautomatic pistols . . . and the manufacture of all small handguns." The code also allows the possibility for sweeping recalls of previously made guns.

According to a HUD press release on the settlement, "Within 12 months, handguns will be designed so they cannot be readily operated by a child under 6." Unfortunately, the federal government has not yet been able to persuade the National Association of Home Burglars to sign a side agreement giving an extra five minutes' warning—time for residents to remove trigger guards—before they break into people's homes.

The agreement requires Smith and Wesson to "not market guns in any manner designed to appeal to juveniles or criminals." HUD had no evidence that Smith and Wesson had been running advertisements in prison magazines, but the provision aided the Clinton administration's efforts to cast an aura of illegitimacy around firearms.

Smith and Wesson is also required to "refrain from selling any modified/sporterized semiautomatic pistol of the type that cannot be imported into U.S." This illustrates how the Clinton administration used each new restriction to leapfrog toward broader firearms bans. When Clinton banned imports of certain semiautomatics in 1997, he justified it by claiming the guns violated the "spirit" of the

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1994 assault weapons ban (even though such guns could be legally sold under existing federal law).

The Smith and Wesson settlement created an "Oversight Commission . . . empowered to oversee implementation of the Agreement. The Commission will have five members selected as follows: one by manufacturers; two by city and county parties; one by state parties; one by ATF." Four government officials and one private representative was the Clinton administration's idea of fairness. This commission gives government officials practically unlimited power in perpetuity over the nation's largest gun manufacturer. As Beretta's Reh notes, "If the Oversight Commission decides that an ad showing a father and son hunting together makes the firearm shown 'particularly appealing to juveniles,' it can ban the ad." Reh also noted that the creation of the commission "surrenders firearm design and distribution to antigun politicians."

The Clinton administration abused tort law to seek far more power over gun makers than either the Constitution or Congress would allow. But—because few people realize the nature of the extortion—the administration could brag that the settlement was not achieved with an iron fist. And most of the nation's media has swallowed the fraud; a *Wall Street Journal* article noted that Smith and Wesson "has unilaterally volunteered to require new restrictions on how retailers sell its weapons."

On the bright side, the settlement may be fatal for Smith and Wesson, which was widely denounced by other gun makers for trying to cut a sweetheart deal with the feds. Consumers have boycotted their products, and many gun dealers have refused to accept the onerous new restrictions that the company seeks to impose on them. It recently announced layoffs of its manufacturing employees, and its prospects are darker than they were before the "deal." Smith and Wesson, along with other gun makers, continues to be sued by city governments that refuse to abandon their opportunity to plunder its remaining assets.

Tort attacks on gun makers continue in many cities across the country. New York Attorney General Eliot Spitzer bragged: "We have the capacity to squeeze manufacturers like a pincers and hurt them in the marketplace." This is a grim warning, since many politicians will not be satisfied until they have destroyed the sources of private gun ownership, all the while creating exemptions (as did the Smith and Wesson agreement) to continue providing high-powered weapons to law enforcement.

Yet in late 2000, a federal judge dismissed the lawsuit brought against gun manufacturers by the city of Philadelphia. The judge concluded that the suit was not allowable under Pennsylvania law and that the allegations were unfounded that the gun companies were guilty of creating a public nuisance. Suits have also been dismissed in Ohio, Connecticut, Florida, New Jersey, and Illinois.

Cigarettes and guns are only the lead targets in the continuing assault by trial lawyers on the American way of life. Other recent targets are HMOs, paint makers, and breast-implant producers. In each case, the standards of proof for conviction are slim and none; instead, trial lawyers fixate on some public-relations strategy (such as hyping the dangers of lead paint) and then proceed to try to bludgeon the industry into submission. Given the ability of trial lawyers to stack juries, the only limit on their extortion is their ability to get a half dozen politically correct citizens installed in a jury and to find a judge who believes that practically any corporation deserves a death sentence.

Ironically, many government agencies could be destroyed by the same methods that politicians and judges sanction for use against private enterprises. Who would want to defend the Food and Drug Administration if it could be held responsible for all the people who died while it dallied for years before approving new life-saving drugs and medical devices? What if public schools could be held liable for all the false promises they make to children and parents? But because the government has sovereign immunity, the bureaucrats can continue wreaking far more damage on Americans than do the corporations that increasingly face destruction in government courts. □

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IDEAS ON LIBERTY
APRIL 2001

Blessed Debt

Should we cut taxes or pay off the national debt?

What's missing from this picture?

Aside from the fact that paying off the debt need not be a priority (there is no connection between the debt and economic growth), the question is a classic case of the Fallacy of the False Alternative.

If we accept for argument's sake that the debt should be paid off at once, there's a way to do it *and* cut taxes? And it doesn't take magic. It's really quite simple.

The way to do it is to (houselights out, drum roll, spotlights wash the stage):

Cut government spending.

Duh.

Aside from a congressman or two, apparently none of your brilliant, highly educated, extravagantly paid, and securely tenured representatives in Washington—Republican or Democrat—thought of that. Kind of makes you wonder what you're paying them to do, doesn't it?

The federal budget is closing in on $2 trillion a year—nearly 20 percent of GDP. (Tax revenues are at a record 20.4 percent.) The government is so big, no one can possibly know all that it is doing. In the nation's capital every nook and cranny has an office with federal bureaucrats ladling out your money to some favored constituency for things you'd never dream of spending your money on yourself.

And yet: every penny is apparently being so wisely spent that we cannot even consider cutting the budget, even for something allegedly so important as paying off the debt. Not only that, the 106th Congress, controlled by Republicans, thought *too little* was being spent. So they increased spending by even more than Bill Clinton had asked!

This is all just a bit too convenient. The taxpayers—remember them? the people who produce whatever the government has to spend?—can go without relief indefinitely. But do not ask the politicians, bureaucrats, and their dependents to forgo even a buck out of two trillion. Forgo? Heck, don't even suggest they make do with what they had last year!

And let's not hear yet again that everyone is for tax cuts, but responsible ones would be "targeted to those who need them." Those aren't tax cuts; that's social engineering through the IRS.

There's always a reason for not cutting taxes. A few months ago the reason was that it would overstimulate the booming economy. This is long-debunked Keynesian claptrap. Now that the economy isn't booming quite so much, the story is that the tax cut will do nothing to stimulate the economy in time. We don't need tax cuts: we have Alan Greenspan. When exactly *is* it time to let people keep what they produce?

The main reason to cut or repeal taxes isn't economic—it's moral. The money belongs to its producers. The taxpayer should get first—not nth—consideration. That is true in good times or bad. Full stop. End of paragraph. End of story.

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Most Washington folks don't see it that way. To them, cutting taxes is merely another form of government spending, competing with all the other forms of government spending. From this perspective, an income-tax cut that would "give" rich people—the same people who pay most of the income taxes—more money than poor people—who pay little or no income tax—is bad policy because the rich don't need the money. ("To each according to his . . ."—well, never mind.)

The implications of this outlook are astounding. If cutting a tax is equivalent to spending that money, then it must be true that the government is also spending whatever money it does not *now* take from the taxpayers. After all, it *could* have taxed that money and used it in other ways.

In other words, the government's real budget is the entire Gross Domestic Product of the United States—more than $9 trillion. The government owns all the income, but the amount it spends in the form of tax forbearance is subject to change at any time.

Dubious Credibility

The big-government types who suddenly care about the national debt have dubious credibility. They don't really care about it. It has value to them in only one respect: it can be used to stop tax cuts. Let me amend that. They have another reason to hate the debt. They drool at the social engineering they could be doing with the money—about $200 billion a year—that now goes to paying interest.

And that means there's a darned good reason to maintain the debt. During the Reagan years, when the government was running up record deficits by outspending the revenue gusher, no one could seriously propose big new spending programs without being dismissed as out of touch with reality. When F. A. Hayek visited in Washington in the early 1980s he told the *Washington Post* that this was the strategy explained to him by Reagan budget director David Stockman. Whether or not that was actually the strategy, deficits had a blessed chilling effect on those who live by spending other people's money. Surpluses have the opposite effect.

Clearly, we taxpayers cannot afford surpluses.

We need not feel guilty about not paying off the debt. The holders of debt aren't complaining. Also, we are not "stealing from our children," as conservatives used to say. For one thing, you can't steal what won't be produced until many years from now. Moreover, government borrowing consists not of an intergenerational transfer of wealth, but of two separate *intragenerational* transfers. When the debt is first incurred, money goes from creditors to government workers, dependents, and contractors. When the debt is paid, money goes from taxpayers to bondholders, overlapping groups.

Thus, while it is true that government borrowing—especially repayment—is a form of coercion, it is little different from other forms of government coercion. There is certainly no reason to prefer other forms over this one. On the contrary, interest payments are less mischievous than other forms of government spending.

So let's bring back deficits and protect the debt. The economy can do just fine with them. Interest rates are higher now than when we had deficits in 1993. (See Russell Roberts's "Don't Fear Deficits" in the December 2000 issue.)

But not all deficits are equal. It would be a mistake to create one by raising spending. Let's cut spending, but create deficits by cutting taxes—big time.

To that end, I proclaim the founding of the Committee to Restore the Deficit through Tax-cutting (CRDT, pronounced "credit"). Like the venerable Nockian Society, there'll be no dues, meetings, or officers. All you have to do is recite the motto: Tax Cuts Now—Debt or No Debt!

There, you're a member. Now get out there and find new members. □

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IDEAS ON LIBERTY
APRIL 2001

Overreacting to Terrorism

by James L. Payne

In politics, said Gustave Le Bon, things are less important than their names. His dictum applies with special force to the word "terrorism," especially today. The impression is, of course, that something called terrorism has to be, almost by definition, terrifying. A sensible analysis needs to move away from this semantic trap and examine what the word "terrorism" refers to, namely, politically motivated violence.

Once we focus on the thing itself, we discover a wide gap between perception and reality. Policymakers believe that domestic terrorism represents a major threat to American society, and they have launched costly new programs to hold it in check. In actuality, as threats to civilization go, politically motivated violence has not been a large problem to begin with, and in recent years it has been diminishing markedly. According to the FBI's tabulation, the number of incidents of domestic terrorism peaked in 1982 with 51. Since 1993, which had 12, the number of incidents has remained in the single digits.

This is not to say that terrorism is no problem. The most serious case on record, the 1995 bombing of the Murrah Federal Building in Oklahoma City, killed 168 people. The typical terrorist incident is much less dramatic, however. For example, in 1998, the latest year for which the FBI report on domestic terrorism is available, there were five incidents: three bombings in Puerto Rico, one of which injured a police officer; a case of arson in Vail, Colorado, that caused no injuries; and a bombing of an abortion clinic in Alabama, which killed a security guard. In the same year, the United States saw 16,900 "ordinary" homicides.

It may be that terrorists haven't actually caused much harm, but what about the hypothetical dangers of terrorists using weapons of mass destruction? Such an attack is always possible, of course, and the dangers call for prudent defenses by the respective authorities. But fears need to be tempered by the facts. Weapons of mass destruction—chemical, biological, and nuclear—have been available for over half a century, and there have been plenty of terrorists over the same time. The combination of the two has made for much profitable fiction, but very little real-world terrorist destruction. The worst case in this category was the 1995 poison gas attack by the Aum Shinrikyo sect in Tokyo, which killed 12 people. This sect, it should be noted, had funds, expertise, and manpower that no other terrorist organization seems to have. Considering all the hurdles—technical, social, and motivational—a large-scale, successful terrorist attack with weapons of mass destruction seems extremely remote.

Government officials ignore the data and analyses that reveal terrorism to be a minor

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and declining problem, however, because there's too much political hay to be made by frightening the public with dire predictions. Lobbying for expanded counterterrorism programs in the late 1990s, top FBI officials predicted that with the coming of the millennium "home-grown terrorism is likely to erupt on a scale unprecedented in modern times." It was another Y2K prediction that fizzled. There were no domestic terrorist incidents around the turn of the year, and, as it happens, none for the entire year 2000.

Nevertheless, scaremongering works. Counterterrorism appropriations have been boosted to $10 billion, with dozens of federal agencies dreaming up programs in order to share in the largess. We now have 18 regional task forces and 200 disaster-response teams ready for action. The FBI has tripled—to 1,400—the number of agents assigned to counterterrorism investigations and hostage rescue.

Guarding Miss America

Given the small scale of the problem, this personnel is bound to be shunted into make-work activities. A Senate committee recently scolded the FBI for assigning expensive counterterrorism forces to provide "security" for public spectacles like the Miss America pageant, but the senators missed the point. There isn't enough real terrorism to keep all these people busy. Furthermore, there are 800,000 law-enforcement personnel in state and local police forces prepared to respond to acts of violence like bombings and arson. Trying to horn in on this action, federal agents are often an intrusion and a distraction.

Excessive efforts also lead to abuses. Counterterrorism teams get tired of training and waiting for something to happen. As one team leader—pressuring the FBI deputy director for a mission—put it, "We need jobs." While understandable in terms of maintaining morale, sending agents out just to keep them busy is an unsound foundation for police work. When there isn't much actual crime to pursue, the danger is that overstaffed agencies will be tempted to foster it by engaging in entrapment or harassment—that is, violations of civil liberties.

We saw an example of this provocative surveillance at the recent trial of Aryan Nations leader Richard Butler in Coeur d'Alene, Idaho. The FBI sent seven undercover agents masquerading as credentialed press photographers to snap pictures of bystanders. Other FBI agents set up TV cameras outside the courthouse to videotape everyone in the area. This massive surveillance didn't catch any terrorists, but it certainly helped confirm the beliefs held by paranoid fringe groups, namely, that the federal government is a totalitarian Gestapo that can only be overthrown by violence.

Federal policy on terrorism seems to be another example of the famous law of unintended consequences. In overreacting to a small and declining terrorist threat, the government may well be exacerbating the problem. □

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APRIL 2001

The Tainted Public-Health Model of Gun Control

by Miguel A. Faria, Jr.

Sed quis custodiet ipsos Custodes?
—JUVENAL

Early in the 1990s the American Medical Association (AMA) launched a major campaign against domestic violence, which continues to this day. As a concerned physician, neurosurgeon, and then an active member of organized medicine, I joined in what I considered a worthwhile cause.

It was then that I arrived at the unfortunate but inescapable conclusion that the integrity of science and medicine had been violated—and the public interest was not being served by the entrenched medical/public-health establishment—because of political expediency.[1] To my consternation and great disappointment, when it came to the portrayal of firearms and violence, and the gun control "research" promulgated by public-health officials, it was obvious that the medical literature was biased, riddled with serious errors in facts, logic, and methodology, and thus utterly unreliable. Moreover, it had failed to objectively address both sides of this momentous issue, on which important public policy was being debated and formulated. And this was taking place despite the purported safeguards of peer review in the medical journals, the alleged claims of objectivity by medical editors, and the claims of impartiality by government-funded gun researchers in public health, particularly at the Centers for Disease Control and Prevention (CDC).

Over the next five years, particularly as editor of the *Journal of the Medical Association of Georgia*,[2] I found that on the issue of violence, medical journals skirted sound scholarship and took the easy way out of the melee, presenting only one side of the story and suppressing the other. Those with dissenting views or research were excluded. The establishment was bent on presenting guns as a social ill and promoting draconian gun control at any price.

The most prestigious medical journal, the *New England Journal of Medicine* (NEJM), which claims openness to contrary views, is not immune to bias in this area. In fact, it is one of the most anti-gun publications in medical journalism. The NEJM routinely excludes articles that dissent from its well-known, strident, and inflexible position of gun-control advocacy. Editors have come and gone, but the governing board has made sure that the anti-gun position remains unaltered.

In "Bad Medicine—Doctors and Guns," Don B. Kates and associates describe a particularly egregious example of editorial bias by the NEJM.[3] In 1988, two studies were independently submitted for publication. Both authors were affiliated with the University of

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Washington School of Public Health. One study, by Dr. John H. Sloan and others, was a *selective* two-city comparison of homicide rates between Vancouver, British Columbia, and Seattle, Washington. The other paper was a *comprehensive* comparison study between the United States and Canada by Dr. Brandon Centerwall.

Predictably, the editors chose to publish Sloan's article with inferior but favorable data claiming erroneously that severe gun-control policies had reduced Canadian homicides. They rejected Centerwall's superior study showing that such policies had not lowered the rate of homicides in Canada: the Vancouver homicide rate increased 25 percent after implementation of a 1977 Canadian law.[4] Moreover, Sloan and associates glossed over the disparate ethnic compositions of Seattle and Vancouver. When the rates of homicides for whites are compared, in both of these cities, it turns out that the rate of homicide in Seattle is actually lower than in Vancouver. The important fact that blacks and Hispanics, who constitute higher proportions of the population in Seattle, have higher rates of homicides in that city was not mentioned.

Centerwall's paper on the comparative rates of homicides in the United States and Canada was finally published in the *American Journal of Epidemiology*, but his valuable research, unlike that of Sloan and his group, was not made widely available to the public.[5] In contradistinction to his valuable gun-research data, Centerwall's other research pointing to the effects of TV violence on homicide rates has been made widely available; his data exculpating gun availability from high homicide rates in this country remains a closely guarded secret.[6]

Gun-Control Lobby Accomplices

Over the years, the entrenched medical/public-health establishment, acting as a willing accomplice of the gun-control lobby has conducted politicized, results-oriented gun (control) research based on what can only be characterized as junk science. This has taken place not only because of ideology and political expediency, but also because of greed—federal money. Public health in general and gun control in particular were important areas where money was allocated by the Clinton administration, along with its repeated attempts at the federalization of the police force, erosion of civil liberties, and the implementation of a national identity card, all centerpieces of former President Clinton's failed domestic crime-control policy.

But how was an agency like the CDC able to get in the gun-control business? Simply by propounding the erroneous notion that gun violence is a public-health issue and that crime is a disease, an epidemic—rather than a major facet of criminology. The public so deluded and the bureaucrats consequently empowered, public-health and CDC officials arrogated to themselves this new area of alleged expertise and espoused the preposterous but politically lucrative concept of guns and bullets as animated, virulent pathogens needing to be stamped out by limiting gun availability and ultimately confiscating guns from law-abiding citizens. Hard to believe in a constitutional republic with a Bill of Rights and a Second Amendment! Let me cite the following statement by CDC official Dr. Patrick O'Carroll as quoted in the *Journal of the American Medical Association* (JAMA, February 3, 1989): "Bringing about gun control, which itself covers a variety of activities from registration to confiscation was not the specific reason for the [CDC] section's creation. However, the facts themselves tend to make some form of regulation seem desirable. The way we're going to do this is to systematically build a case that owning firearms causes death."

Public-health officials and researchers conveniently neglect the fact that guns and bullets are inanimate objects that do not follow Koch's Postulates of Pathogenicity (a time-proven, simple, but logical series of scientific steps carried out by medical investigators to definitively prove a microorganism is pathogenic and directly responsible for causing a particular disease); and they fail to recognize the importance of individual responsibility and moral conduct—namely, that behind every shooting there is a person pulling the

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trigger who should be held accountable.

This portrayal of guns by the public-health establishment parallels the sensationalized reporting of violence and so-called "human interest" stories in the mainstream media; it exploits citizens' understandable concern about domestic violence and rampant street crime, but does not reflect the accurate, unbiased, and objective information that is needed for the formulation of sound public policy. In most instances, the public-health and medical establishments have become mouthpieces for the government's gun-control policies.

As an example of biased research on which the CDC has squandered taxpayers' money is the work of prominent gun-control researcher Dr. Arthur Kellermann of Emory University's School of Public Health. Since at least the mid-1980s, Kellermann (and associates), whose work has been heavily funded by the CDC, has published a series of studies purporting to show that persons who keep guns in the home are more likely to be victims of homicide than those who don't. Despite the "peer reviewed" imprimatur of his published research, his studies, fraught with errors of facts, logic, and methodology, are published in the NEJM and JAMA with great fanfare (advance notices and press releases, followed by interviews and press conferences)—to the delight of the like-minded, cheerleading, monolithic pro-gun control medical establishment, not to mention the mainstream media.

In a 1986 NEJM paper, Kellermann and associates, for example, claimed their "scientific research" proved that defending oneself or one's family with a firearm in the home is dangerous and counterproductive, claiming "a gun owner is 43 times more likely to kill a family member than an intruder." This erroneous assertion is what Dr. Edgar Suter, chairman of Doctors for Integrity in Policy Research (DIPR), has accurately termed Kellermann's "43 times fallacy" for gun ownership.[7]

In a critical and now classic review published in the March 1994 *Journal of the Medical Association of Georgia* (JMAG), Suter not only found evidence of "methodologic and conceptual errors," such as prejudicially truncated data and non-sequitur logic, but also "overt mendacity," including the listing of "the correct methodology which was described but never used by the authors." Moreover, the gun-control researchers "deceptively understated" the protective benefits of guns. Suter wrote: "The true measure of the protective benefits of guns are the lives and medical costs saved, the injuries prevented, and the property protected—not the burglar or rapist body count. Since only 0.1 percent–0.2 percent of defensive uses of guns involve the death of the criminal, any study, such as this, that counts criminal deaths as the only measure of the protective benefits of guns will expectedly underestimate the benefits of firearms by a factor of 500 to 1,000."[8]

Greater Risk to Victims?

In 1993, in another peer-reviewed NEJM article (the research again heavily funded by the CDC), Kellermann attempted to show that guns in the home are a greater risk to the residents than to the assailants. Despite valid criticisms by reputable scholars of his previous works (including the 1986 study), Kellermann used the same flawed methodology and non-sequitur approach. He also used study populations with disproportionately high rates of serious psychosocial dysfunction from three selected counties known to be unrepresentative of the general U.S. population.

For example, 53 percent of the case subjects had a household member who had been arrested, 31 percent had a household history of illicit drug use, 32 percent had a household member hit or hurt in a family fight, and 17 percent had a family member hurt so seriously in a domestic altercation that prompt medical attention was required. Moreover, the case studies and control groups in this analysis had a high incidence of financial instability. In fact, gun ownership, the supposedly high-risk factor for homicide, was not one of the most strongly associated factors for being a murder victim. Drinking, illicit drugs, living alone, a history of family violence, and living in a rented home were *all* greater individual risk factors for being murdered than

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having a gun in the home. There is no basis for applying the conclusions to the general population.

Most important, Kellermann and his associates again failed to consider the protective benefits of firearms.

In this 1993 study, they arrived at the "2.7 times fallacy." In other words, they downsized their fallacy and claimed a family member is 2.7 times more likely to kill another family member than an intruder. Yet, a fallacy is still a fallacy and, as such, it deserves no place in scientific investigations and peer-reviewed medical publications.

Although the 1993 NEJM study purported to show that the homicide victims were killed with a gun ordinarily kept in the home, the fact is, as Kates and associates showed, 71.1 percent of the victims were killed by assailants who didn't live in the victims' household using guns presumably not kept in that home.[9]

While Kellermann and associates began with 444 cases of homicides in the home, cases were dropped from the study for a variety of reasons, and in the end, only 316 matched pairs were used, representing only 71.2 percent of the original 444 homicide cases. This reduction increased tremendously the chance for sampling bias. Analysis of why 28.8 percent of the cases were dropped would have helped indicate if the study had been compromised by the existence of such biases, but Dr. Kellermann, in an unprecedented move, refused to release his data and make it available for other researchers to analyze.

These errors invalidated the findings of the 1993 Kellermann study, just as they tainted those of 1986. Nevertheless, the errors have crept into and now permeate the lay press, the electronic media, and particularly, the medical journals, where they remain uncorrected and are repeated time and again as gospel. The media and gun-control groups still cling to the "43 times fallacy" and repeatedly invoke the erroneous mantra that "a gun owner is 43 times more likely to kill a family member than an intruder." And, because the publication of the data (and their purported conclusions) supposedly come from "reliable" sources and objective medical researchers, they are given a lot of weight and credibility by practicing physicians, social scientists (who should know better), social workers, law-enforcement officials, and particularly gun-banning politicians.

Gun Benefits

What we do know, thanks to the meticulous and sound scholarship of Professor Gary Kleck of Florida State University and DIPR, is that the benefits of gun ownership by law-abiding citizens have been greatly underestimated. In his monumental work, *Point Blank: Guns and Violence in America* (1991), myriad articles, and his last book, *Targeting Guns* (1997), Kleck found that the defensive uses of firearms by citizens total 2.5 million per year and dwarf offensive gun uses by criminals. Between 25 and 75 lives are saved by a gun for every life lost to one. Medical costs saved by guns in the hands of law-abiding citizens are 15 times greater than costs incurred by criminal uses of firearms. Guns also prevent injuries to good people and protect billions of dollars of property every year.[10]

Recent data by John R. Lott Jr. in his book *More Guns, Less Crime: Understanding Crime and Gun-Control Laws* have also been suppressed by the mainline medical journals and public-health literature. Lott studied the FBI's massive yearly crime statistics for all 3,054 U.S. counties over 18 years (1977–1994), the largest national survey of gun ownership and state police documentation in illegal gun use. He came to some startling conclusions:

- While neither state waiting periods nor the federal Brady Law is associated with a reduction in crime rates, *adopting concealed-carry gun laws cut death rates from public multiple shootings by a whopping 69 percent.*
- Allowing people to carry concealed weapons deters violent crime—without any apparent increase in accidental death. If states without right-to-carry laws had adopted them in 1992, about 1,570 murders, 4,177 rapes, and 60,000

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aggravated assaults would have been avoided annually.

- Children 14 to 15 years of age are 14.5 times more likely to die from automobile injuries, five times more likely to die from drowning or fire and burns, and three times more likely to die from bicycle accidents than they are to die from gun accidents.
- When concealed-carry laws went into effect in a given county, murders fell by 8 percent, rapes by 5 percent, and aggravated assaults by 7 percent.
- For each additional year concealed-carry laws are in effect, the murder rate declines by 3 percent, robberies by over 2 percent, and rape by 1 percent.[11]

Another favorite view of the gun-control and public-health establishments is the myth propounded by Dr. Mark Rosenberg, former director of the National Center for Injury Prevention and Control (NCIPC) of the CDC. Rosenberg wrote: "Most of the perpetrators of violence are not criminals by trade or profession. Indeed, in the area of domestic violence, most of the perpetrators are never accused of any crime. The victims and perpetrators are ourselves—ordinary citizens, students, professionals, and even public health workers."

That statement is contradicted by government data. The fact is that the typical murderer has had a prior criminal history of at least six years with four felony arrests before he finally commits murder. The FBI statistics reveal that 75 percent of all violent crimes for any locality are committed by 6 percent of hardened criminals and repeat offenders. Less than 2 percent of crimes committed with firearms are carried out by licensed law-abiding citizens.[12]

Violent crimes continue to be a problem in the inner cities owing to gangs involved in the drug trade and hardened criminals. Crimes in rural areas for both blacks and whites, despite the preponderance of guns, remain low. Evidence supports the view that availability of guns per se does not cause crime. Prohibitionist government policies and gun control (rather than crime control) exacerbate the problem by making it more difficult for law-abiding citizens to defend themselves, their families, and their property. Prohibition in the 1920s and passage of the Gun Control Act of 1968 brought about an increase, not a decrease, in both the rates of homicides and suicides.

A Sinister Objective

As a physician and medical historian, I have always been a staunch supporter of public health in its traditional role of fighting pestilential diseases and promoting health by educating the public on hygiene, sanitation, and preventable diseases[13]; but I deeply resent the workings of that unrecognizable part of public health that has emerged in the last three decades with its politicized agenda, proclivity toward suppression of views with which it disagrees, and the promulgation of preordained research that is frequently tainted and result-oriented; it can only be characterized as being based on junk science.

In 1996, the U.S. House of Representatives voted to shift $2.6 million away from the NCIPC and earmark it for other health research projects. The redirected money was the amount formerly allocated to the discredited "gun (control) research." Moreover, the House forbade the CDC from allocating further money for that research in the future. Kellermann's gun research was for the first time defunded. Unfortunately, other gun prohibitionist researchers, like Drs. Sloan, Garen J. Wintemute, Colin Loftin, and Frederick P. Rivara, continue to publish their slanted research in the complying mainstream medical journals. They are encouraged in their work by the sponsoring schools of public health sprouting all over the country and funded by the American Medical Association (sometimes through public-private partnerships) or by the large, private statist foundations such as the Joyce Foundation.

Thus the task of separating science from politics is far from over. Much more needs to be done to return public health to its traditional role of stamping out infectious diseases and epidemics—and reeling it back from meddling in politics. □

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2. See the account in my *Medical Warrior: Fighting Corporate Socialized Medicine* (Macon, Ga.: Hacienda Publishing, 1997), pp. 107–20.

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12. Miguel A. Faria, Jr., "Women, Guns, and the Medical Literature: A Raging Debate," *Women and Guns* (Second Amendment Foundation), October 1994, pp. 14–17 and 52–53.

13. See my book *Vandals at the Gates of Medicine* (Macon, Ga.: Hacienda Publishing, 1995).

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Economics

The Problem of Environmental Protection

A common belief is that economists don't care much about the environment because they are preoccupied with money, markets, and material wealth. And when economists do consider ways to protect the environment, they emphasize benefits and costs, trying to express all values in terms of cash. This view is angrily expressed by mountaineer-philosopher Jack Turner, who decries the economists' approach to the environment as "[reeking] of cynicism—as though having failed to persuade and woo your love you suddenly switch to cash. [Economists] think they are being rational; I think they treat Mother Nature as a whorehouse."[1] While Turner's comment is harsher than most, it is representative of many statements that can be found claiming that economists are environmentally callused.

In truth, economists are just as concerned about environmental quality as most people, maybe more so. All sensible people value the quality of the natural environment, and would like to maintain and improve that quality. Also, economists have thought a lot more than most about the source of our environmental problems and have developed important insights into the best ways to solve them. Unfortunately, it is easy for non-economists to misunderstand the economic approach to protecting the environment, causing them to underestimate the effectiveness of that approach and the genuine environmental concern that economists have.

The typical reactions to pollution are to blame it on the greed of those who put profits ahead of protecting the environment and to have someone in authority stop it. The perspective of economists is different. They do not automatically conclude that pollution is always a problem that demands a solution. When they do conclude that pollution is a problem that should be addressed, they seldom suggest having government demand that the pollution be stopped altogether. Finally, economists see blaming pollution on self-interest as unproductive, if not downright silly.

Because of scarcity, attempting to eliminate all harm caused by pollution makes no sense. Sure, it would be nice to eliminate pollution, but reducing pollution always requires doing less of something else that is desirable, and long before we reduced pollution harm to zero, the marginal benefit would be less than the marginal cost. Of course, in many situations it is desirable to reduce pollution. While people may seldom agree on how much to reduce, they should agree that any reduction ought to be achieved as cheaply as possible—at the least possible sacrifice of value. But having a government agency command polluters to reduce pollution is the most costly way to protect the environment. And economists see no advantage in blaming self-interest for pollution because that leads to inefficient pollution reduction. Indeed, the

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cheapest way to reduce pollution is by taking advantage of self-interest.

In this column I shall begin a discussion of how the concepts of scarcity and marginalism provide important insights into the problem of pollution and how best to address it.

Environmental Protection versus Environmental Protection

Few things are more aggravating to those professing great concern for the environment than economists' insisting on considering the cost of reducing pollution. The environment is seen as too important to be thought of as just another commodity, so costs simply aren't relevant. Pollution harms the environment and should be reduced drastically regardless of the cost. Economists find these comments either hilarious or depressing, depending on their mood. The environment is important, but we get silly environmental policies when we ignore the costs of environmental protection. This would be true even if environmental quality were all we cared about, since protecting the environment in some ways requires sacrificing it in others. Consider some examples.

Environmentalists want to protect and expand wetlands, which are the habitat for a wide variety of flora and fauna. They are also concerned about global warming, which is supposedly resulting from the emission of greenhouse gases. But wetlands are one of the biggest sources of methane, a major greenhouse gas. So a cost of expanding wetlands is the release of more greenhouse gas. Is this a cost environmentalists think we should ignore?

Environmentalists also want to save forestland and eliminate the use of chemical pesticides and fertilizers in agriculture. Preventing starvation in poor countries without using chemical pesticides and fertilizers would require clear-cutting millions of acres of trees for agricultural use. So fewer trees are one of the costs of reducing chemical pesticides and fertilizers. Finally, and more generally, since waste products have to go somewhere, one cost of reducing water pollution is an increase in either air pollution or waste-disposal sites.

These costs are the direct result of scarcity and require facing up to some tough questions. Is protecting wetlands more important than preventing global warming? Is protecting rivers, lakes, and oceans against the runoff of chemical fertilizer more important than maintaining our forests (which absorb carbon dioxide, another greenhouse gas)? Which is more valuable, clean air or clean water? Environmentalists like to argue that environmental concerns are more important than anything else, but they can't argue that every environmental concern is more important than every other environmental concern.

There is a way around these questions by accepting some insights from economics.

The only sensible way to determine whether clean air is more or less valuable than clean water is by making the comparison *at the margin*. If the water is extremely dirty (dysentery in every drop) and the air is extremely clean, then the marginal value of clean water (the value of an incremental increase in water quality) is greater than the marginal value of clean air (the value of an incremental increase in air quality). In this case, it is sensible to improve water quality even though the cost is reduced air quality. And the improvement in water quality should continue as long as the marginal value of clean water is greater than the marginal cost of dirtier air.[2]

Those who read my January column will recognize this as an example of equating at the margin: doing the best we can by not doing anything as well as we possibly could. Only by accepting this marginal principle can we deal sensibly with the tradeoffs that scarcity forces us to confront. As I will discuss next month, the implications of equating at the margin for environmental policy are too sensible for some environmentalists to feel comfortable with. □

1. See Jack Turner, "Economic Nature," in Deborah Clow and Donald Snow, eds., *Northern Lights: A Selection of New Writing from the American West* (New York, Vintage Books, 1994), p. 121.

2. This assumes that the only cost of improving water quality is reduced air quality. More accurately, water quality should be improved until the marginal value of doing so equals the marginal cost, where cost reflects all sacrificed value, not just the sacrificed value of air quality.

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IDEAS ON LIBERTY
APRIL 2001

The War on Drugs Opens a New Front

by George C. Leef

The capacity for self-aggrandizement by government officials is boundless. Napoleon was not content just to rule over nearly all of Europe. He had to try to expand his power until he ruled all of it. Ultimately, that ambition proved to be his undoing.

For our hordes of politicians and government functionaries, however, the quest for greater authority and larger budgets rarely entails any warfare or personal danger. It only calls for the creation of new problems (or better yet, "crises") that can supposedly be solved only by intervention. As H.L. Mencken once wrote, "The whole aim of practical politics is to keep the populace alarmed, and hence clamorous to be led to safety, by menacing it with an endless series of hobgoblins, all of them imaginary." Dissect almost any political proposal and you will find it ultimately rests on the supposition that freedom is dangerous and that we need to have new laws, regulations, and programs to protect us from it. The War on Drugs provides an excellent example.

The War on Drugs has succeeded in stopping American citizens from using drugs with every bit as much success as Prohibition succeeded in stopping Americans from consuming alcoholic beverages, and does so with a similar cost in lives lost, promotion of violence, corruption, and waste of resources. Yet it goes on and on, demanding more money and power to protect us from the horrors of drug use. And it too exhibits the Napoleonic impulse to fight new battles and conquer more territory. Consider, if you will, the recent statement by then-"Drug Czar" General Barry McCaffrey that there is a hitherto overlooked area of human life where the efforts of the drug warriors are needed: chess.

Yes, chess. The venerable game of analysis and strategy has been around for centuries. Organized competition goes back to the mid-nineteenth century. The few scandals that have arisen have had political roots, such as the question whether Paul Keres was ordered to "take a dive" by the Soviet government in his championship match against Mikhail Botvinnik. No one has ever suggested that there was any problem of chess players' using drugs to gain an advantage over their rivals in the intense mental combat of chess games.

Until now.

In the September 2000 issue of *Chess Life*, McCaffrey contributed a short article, titled "Checkmate: Drug-Free in Body and Mind." He begins by trying to draw an analogy between chess and athletic competition, then leaps to the conclusion that since various drugs are banned in athletics, they should also be banned in chess tournaments.

He writes:

> Even long-distance running involves some of the principles sharpened in chess—from defensive maneuvers and offensive moves to opening positions,

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middle-games, and endgames. Front running, for instance, at the beginning of a race may hurt a competitor by preventing surges of energy near the finish line. Like rooks, pawns, and other chessmen, runners jockey for position and labor to avoid being boxed in. Because mind and body are intricately connected, psychoactive substances should be banned from chess tournaments as they are from basketball, weightlifting, and other events played singly or in teams.

To begin with, McCaffrey's analogy is pretty silly. True, some sports involve an element of strategy (although it is hard to see how weightlifting can be among them), but it scarcely follows that the rules that various athletic associations have adopted for themselves are necessarily sensible or appropriate in chess. The fact that if you play badly your pieces might get "boxed in" like a runner in a pack in no way demonstrates the need for "substance control" in chess. The fact is that human beings can make strategic misjudgments in any field of endeavor, but that does not prove the need for universal "substance control" rules, much as that might appeal to General McCaffrey.

Moreover, it is impossible to see from McCaffrey's article just what the problem is. For years, people have been told that all those illegal drugs are harmful to the user, both physically and mentally. Who hasn't seen the "This is your brain. This is your brain on drugs" ads? Are we now to believe that some chess players have found out that it actually helps them to go into a game under the influence of some drug? There isn't any evidence for that, and it flies in the face of common sense. Chess is a cerebral game and the very last thing a player would want is to warp his thinking.

Or is McCaffrey not talking about drugs in the usual sense here at all? Author Paul Krassner, in a *Los Angeles Times* op-ed, wrote, "Meanwhile [McCaffrey] will continue his crusade not only against illegal substances but perhaps also against certain herbal food supplements with a reputation for aiding memory and concentration. Who would ever dream that chess players could get in trouble for using gingko biloba as a performance enhancer?"

That may indeed be it—the ex-Drug Czar wants to ban and test for perfectly legal products that might, somehow, give one competitor an "unfair advantage" over another. Doing so would not only give the Drug War something new to do, but would also be entirely consistent with the egalitarianism of interventionists.

The notion that government has an obligation to ensure a "level playing field" in everything from business to sports is well entrenched in America, and McCaffrey evidently intends to capitalize on it. He continues, "Drugs not only endanger the health of athletes, but also obstruct the level playing field where training and talent are the true competitors." Now, there is no evidence that chess players use steroids, opiates, or amphetamines (drugs for which the Spanish Chess Federation requires urine tests, much to McCaffrey's delight), much less that those substances confer any "unfair advantage"—but let's start testing anyway!

McCaffrey's suggestion elicited storms of protest from chess aficionados. The letters to the editor section of *Chess Life* boiled with outrage. Dutch grandmaster Hans Ree wrote, "Drug testing in chess is a perfect example of officialdom creating a problem that didn't exist before their intervention." Former *Chess Life* magazine editor Larry Parr said, "A search warrant is needed to enter your house, but not your body. The rush to turn chess, which is basically a minor art, into a sport infested with body police is disgusting." An anonymous writer said that "The need politicians have to regulate everything is absolutely out of control. What can we do to stop the political agenda of these blubbering, fascist lunatics?"

A Modest Proposal

In the spirit of Jonathan Swift, here is a modest proposal that ought to make our prohibitionists and egalitarians happy. Instead of allowing chess players (and competitors in other activities, too) the freedom to choose what to consume and then subjecting them to possibly unreliable tests, why don't we instead

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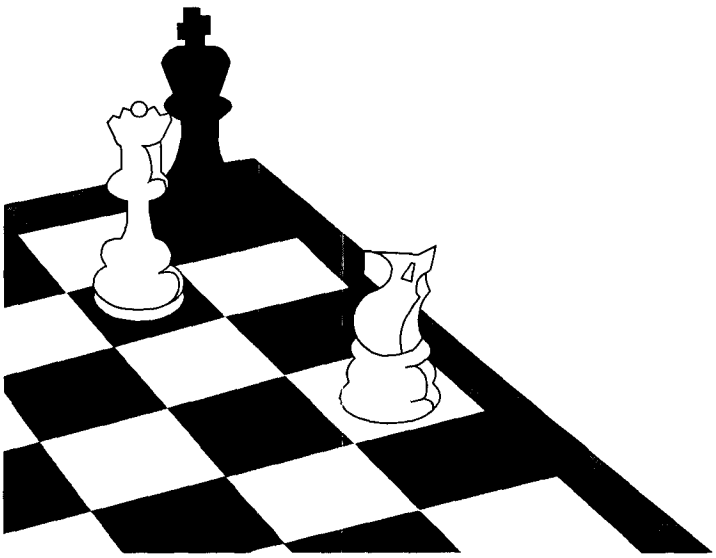
mandate a uniform diet of healthful, organically grown, and politically inoffensive food for all, and forbid the consumption of anything else? Imagine the gains in fairness. No competitor could get an unfair advantage by consuming anything that might "enhance" his performance! Imagine also the wonderful employment opportunities for new government officials, checking incessantly to make sure that no would-be competitor was sneaking a prohibited chocolate bar, cup of coffee, or gingko tablet. Not only would we bring that vital level playing field to chess (and bridge, shuffleboard, darts . . .), we would stimulate the economy at the same time.

What's that you say? "What about freedom?" Well, as you all know, freedom can't be absolute. It must not get in the way of the collective good. We can't allow such an old-fashioned abstract notion as that to thwart progress against the scourge of "illicit substances." Why, that would be as bad as boxing in our pawns and rooks.

Of course very few people would be willing to submit to the dietary controls, and that would put an end to legal chess tournaments, driving them into back alleys or onto the Internet. But rest assured that the new Drug Czar will trumpet the need to root out all such unauthorized competitions.

The work of those who insist on meddling in the affairs of others is never done. □



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IDEAS ON LIBERTY
APRIL 2001

The Perils of Positive Rights

by Tibor R. Machan

One of the most powerful ideas opposed to the free society is a notion political philosophers call "positive rights."

Sounds good, doesn't it? What could be wrong with being *positive*? Sounds like something out of Anthony Robbins or Norman Vincent Peale.

But this is another case of all-too-successful linguistic legerdemain, like that which overtook the venerable concept of "liberalism." It is the kind of alchemy that turns gold to lead. "Liberalism" used to specify a political philosophy favorable to individual rights and freedom. Now, in today's lingo, it means mostly the opposite: an ideology prescribing the systematic violation of liberty for the sake of redistributing wealth and otherwise engineering society. (To be sure, the new liberalism includes a sub-clause stipulating that people may at least enjoy the sexual and other non-economic freedoms distinctive to one's chosen "lifestyle." But even these allowances are more and more falling victim to the logic of this liberalism's command-and-control statism—as when "liberals" and conservatives team up to urge censorship of sexually explicit fiction.)

Just as the new "liberalism" is fake liberalism, so the new "positive rights" are fake rights. In each case, the heart of a valid principle has been gutted.

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Natural rights—or, as they have been uneuphoniously dubbed, "negative rights"—pertain to freedom from the uninvited interventions of others. Respect for negative rights requires merely that we abstain from pushing one another around. Positive rights, by contrast, require that we be provided with goods or services at the expense of other persons, which can only be accomplished by systematic coercion. This idea is also known as the doctrine of entitlements; that is, some people are said to be entitled to that which is earned by other people.

"Positive rights" trump freedom. According to this doctrine, human beings by nature owe, as a matter *of enforceable obligation*, part or even all of their lives to other persons. Generosity and charity thus cannot be left to individual conscience.[1] If people have such positive rights, no one can be justified in refusing service to others; one may be conscripted to serve regardless of one's own choices and goals.

If positive rights are valid, then negative rights cannot be, for the two are mutually contradictory. So the question is: which concept is the more plausible in the context of human nature, of how the issue of rights arose, and of the requirements of surviving and flourishing in a human community?

America's political system was founded on a theory of human rights sketched in the Declaration of Independence. The theory had been most fully developed by the seventeenth-century English philosopher John Locke. It

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held that every human being possesses the inalienable right to, among other things, life, liberty, and property. (Jefferson cast the triumvirate as "life, liberty, and the pursuit of happiness.")

The rights Locke identified—following several centuries of political and legal thinking—are "negative" insofar as they require only that human beings *refrain from forcibly intruding on one another*. Their existence means that no one ought to enslave another, coerce another, or deprive another of his property; and that each of us may properly resist such conduct when others engage in it. Ordinary criminal law implicitly rests on such a theory of individual rights. On a commonsense basis, murder, assault, kidnapping, robbery, burglary, trespassing, and the like are all easily understood as violations of negative rights.

In the Lockean tradition, a conflict of (valid) rights cannot exist. There may be disputes about boundary lines, the exact historical record determining the propriety of a rights claim, and similar practical detail. But once the facts are unambiguously established, so is the specific right. And the justice of that specific claim (to a parcel of land, say) is grounded in more basic, universal rights (to life and freedom) that in turn are justified by a correct understanding of human nature and what that implies about how we ought to live and organize ourselves in communities.

Understanding Human Nature

That an understanding of human nature is even possible is, among some philosophers anyway, a controversial issue. Yet skepticism here, as in other cases, stems from an unrealistic conception of what it takes to know something—the idea that we must know everything perfectly before we can know anything at all. But if knowing something means to have the clearest, most self-consistent, most reality-grounded, and most complete conceptualization possible to date, then sweeping skepticism is unjustified. We need simply admit that we will amend our knowledge if later observation and thinking warrant it.

What we know now is that human beings, uniquely among animals, survive by means of their reason (which is a faculty of choice and hence of morality). That this moral and rational faculty does not function automatically; and that the social condition required to gain and retain the fruits of its unhindered exercise is *freedom*. If human beings are to survive and flourish in a social context, the rights to life and liberty must be recognized and protected.

From the rights to life and liberty there emerges the right to private property. It rests on two considerations: (a) that human beings require spheres of individual jurisdiction, in which they may carry out their moral responsibility to choose to do the right thing; and (b) that choosing to acquire valued items, from the wilds or through trade, is a moral responsibility, entailed by the exercise of the virtue of prudence. Acquisition of property is something everyone ought to engage in to some degree to survive—even a complete ascetic needs food and a loincloth. We are not ghosts.

A political system whose purpose is the fostering of human life and community must be organized so as to protect the rights to life, liberty, and their implementation, private property. Thus any *political* rights must not violate the more basic rights from which political rights derive. Political rights include the right to vote, serve in government, take part in the organization of political campaigns, and so forth. Practically speaking, the exercise of one's political rights may have an impact on who may govern, various internal rules of government, and the organization of political processes. But under a regime erected to protect natural rights there can be no political right to override anyone's right to life, liberty, or property. If the legal system of a community does override those rights in a systematic way, that is ipso facto evidence that the system has become corrupted. It is no longer a bona fide rights-protecting regime but one governed by arbitrary (even if majority) rule. Indeed, one of the deficits of contemporary conservative legal theory is its failure to appreciate the intimate connection between Lockean individualism and democracy. Because of this, many think democracy may trump our basic rights. It may not.

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To Secure Our Rights

The Founders established a government to secure individual rights because they believed, with Locke, that justice requires communities to recognize our moral agency. We have a personal responsibility to run our own lives. Governments are established among men to procure, preserve, and protect a realm in which that moral agency may be freely exercised.

Enter the bad guys, stage left.

Those who sought to retain some elements of the political outlook that Locke's theory had overthrown—namely, the view that people are subjects of the state (in fact, belong to the state)—found a way to expropriate and exploit the concept of human rights to advance their reactionary position, just as they expropriated and exploited the concept of liberalism. (Yes, Virginia, Karl Marx was a reactionary!)

Riding on purloined prestige, they perverted the concept of individual rights at its root so that it came to mean not *liberty from* others but *service from* others. Who needs the right to pursue happiness when one has the right to be *made* happy (even if the thus-extracted "happiness" should render the indentured providers of it miserable)?

This was a view of rights that wiped moral agency right out of existence. Positive rights are thus nothing more than mislabeled preferences, or values, that people want the government to satisfy or attain for them—by force.[2] They are grounded in nothing that pertains to the fundamental requirements of human nature and human survival. The theorizers of such rights in fact go out of their way to ignore such requirements. Yes, man needs bread, as stipulated. But he does not live by bread alone. He is not an ant who can survive on whatever crumbs fate happens to strew in his path. He needs the freedom to make the bread and trade the bread.

And he needs consistent and objective governance. But when the conceptual perversion known as positive rights becomes the guiding principle of a polity, the state cannot govern by anything like the consistent standards that emerge from the theory of negative rights. The alleged positive rights of the citizenry must clash constantly. To the extent one person is conscripted to serve another, he can no longer serve his own purposes, nor, indeed, even the purposes of many others, given the scarcity of the time and skills to which others are supposedly naturally entitled. There is no principle implicit in the doctrine of positive rights that can resolve the conflicts. But positive rights conflict most of all with our basic negative rights to life, liberty, and property.

Guided by such a doctrine, governments cannot merely protect our rights. They must positively pit some rights against others. Instead of simply "securing these rights," they must scrounge for some additional standard to tell which and whose rights should get protection. Since no intelligible such standard is available, the situation collapses into one of rule not by objective law but by subjective men—men who will decide which rights need protection, and which do not, on a shifting case-by-case basis. Perhaps the ascendant pressure group of the moment will carry the day, or perhaps the latest opinion polls. In practice, the working principle is: "You have a right to whatever you can get away with," the same consideration governing any plain criminal.

The theories defending positive rights are just as incoherent as the practice of them must be. Positive rights have even been defended on the grounds that negative rights—of the very poor, for example—entail positive ones. Others argue that all rights are in fact positive insofar as they are all meaningless unless they are actively protected; and the right to the protection of one's right to freedom is a positive right, not a negative one.

Both views suffer fatal flaws. The first generalizes into a principle of law an understandable but regrettable response to what amounts to a rare moral emergency—one that becomes more and more rare the longer a society is free and able to build its prosperity. In some rare cases, an innocent person might indeed be totally helpless and have no choice but to obtain resources by stealing them. Perhaps only filching that piece of fruit will stave off immediate starvation. But extraordinary circumstances cannot generate laws granting a

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permanent right to steal, not when stealing itself *means* taking by force what by right belongs to others. There is no need for a society to send the occasional Jean Valjean to prison for 20 years; he might well be forgiven the transgression. But on the other hand, if the general concern for the plight of such individuals is genuine, there is no reason private charity cannot suffice to meet the need either. Moreover, if the members of a society engage in theft as a regular way of life, it will only undermine the production of wealth that everyone's survival depends on, including that of the poorest.

As for those who believe that protection of negative rights requires positive rights, they fail to show that any such right to protection can exist *unless* there already exist the more fundamental—and "negative"—right to liberty. To gain protection for something presupposes that one has the right to act for that purpose, including the right to voluntarily combine with others to delegate authority, form the government, and gain the protection. The services of government are something people must choose to obtain by their consent to be governed. They do not have a natural right to them prior to having freely established that institution. Indeed, for that reason taxation, which fit well those regimes that treat people as subjects, is anathema to the free society in which even the funding of the legal order must be secured voluntarily.[3]

Because it is itself arbitrary and incoherent, the doctrine of positive rights leaves government free to be arbitrary and incoherent. As long as some people are getting resources that were earned by somebody else, that's all that counts. One day it's subsidizing AIDS research that tops the to-do list; the next it's fostering the arts by splurging on the National Endowment for the Arts and PBS; the next it's curing everyone of smoking and plundering the tobacco companies. No principles, no logic, no standards of restraint, and no surefire way to know from day to day what one will be free to do and what one will be prohibited from doing. Whatever the leaders say goes, so long as they continue to mechanically genuflect before the altar of democracy.

If we are to reverse course and achieve a more consistently free society we must tear up the counterfeit standard of rights and restore a gold standard: the rights doctrine that enables us to actually pursue, and achieve, life and happiness. □

1. In recent times the doctrine has been reshaped by such philosophers as James P. Sterba and Henry Shue, and legal scholars such as Stephen Holmes and Cass R. Sunstein.

2. For a full exposition of the positive-rights doctrine as developed by theorists of the political left, see Tom Campbell, *The Left and Rights* (London and Boston: Routledge, 1983). There are some from the political (Hegelian) right who also endorse positive rights—e.g., Thomas Hill Green.

3. For a more detailed discussion of this issue, including viable alternatives to taxation, see Tibor R. Machan, "Dissolving the Problem of Public Goods: Financing Government without Coercive Measures," in T. R. Machan, editor, *The Libertarian Reader* (Lanham, Md.: Rowman & Littlefield, 1982).

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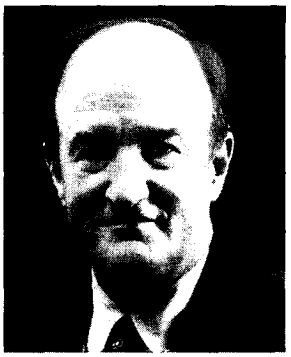

Beyond GDP: A Breakthrough in National Income Accounting

"It is apparent that a large part of a country's total production serves for the production of capital goods and not for the production of consumer goods, and that the production of capital goods must itself become a specialized branch of manufacturing."

—WILHELM RÖPKE[1]

Good news! The U.S. Department of Commerce, which compiles Gross Domestic Product (GDP), has just added a new national income statistic, Gross Output (GO), as a measure of total spending in the economy. I have been making the case for this new statistic for over ten years. Now it is a reality.

In *The Structure of Production* (1990) and *Economics on Trial* (1993), I was critical of GDP for two reasons:

First, GDP is a Keynesian concept that measures only the output of final goods and services and excludes intermediate production. Second, government spending is included in GDP data, an autonomous addition to national output.[2]

Both peculiarities of GDP have led to much mischief. In the first case, by focusing solely on final output, many economists and commentators in the media have concluded that consumer spending is more important than capital investment in an economy, based on the fact that consumption expenditures usually represent about two-thirds of GDP. In the second case, including government spending in GDP has led many pundits to believe that an increase in that spending—even if accomplished through deficit spending—will automatically increase economic growth (or conversely, a cut in government spending will inevitably lead to a recession). Both conclusions are false.

Most students of economics are unaware of the fact that GDP was created by Simon Kuznets during World War II to quantify final aggregate demand according to the new economics of Keynes. As such, GDP ignores all intermediate spending in the economy, based on the tenuous argument that earlier stages of production constitute double counting.

However, the goods-in-process sector of the economy—the natural resource, manufacturing, and wholesale stages—are important for several reasons. Austrian economist Eugen von Böhm-Bawerk and German economist Wilhelm Röpke, among others, demonstrated that interest rates and technology greatly influence the structure of production and that changes in the early stages are especially important in the business cycle.

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In an effort to measure intermediate production, *The Structure of Production* introduced a new national income statistic, Gross Domestic Output (GDO)—a more complete measure of spending at all stages of production—as an "Austrian" alternative to the Keynesian GDP. It counts spending (sales or revenues) of firms at all stages of production, not just at the retail level.

GO: A New National Statistic

For a decade I thought my criticisms of GDP had fallen on deaf ears and no one was interested in using a new national income statistic like GDO that accurately included total spending in the economy, not just final output. However, I am happy to report that the Commerce Department's Bureau of Economic Analysis has just begun to publish a new series called "Gross Output," an annual measure of total spending at all stages. GO is defined as Intermediate Input (II) plus GDP (final output).[3]

Intermediate Input (II) represents the sale of all products in the natural resource, manufacturing, and wholesale markets. GDP represents the final retail market.

I am currently working on a professional paper analyzing GO and II statistics and how they increase our understanding of the economy. Since this paper will not be published for some time, let me give you a few of my preliminary conclusions. Overall, much of the data appears to confirm several Austrian themes.

First, the data support the Austrian theory that the structure of production lengthens as an economy grows. Indeed, from 1987 until 1998 real GDP rose from $6.1 trillion to $8.8 trillion, or 39 percent (using 1996 as a base year). But real Intermediate Input (II) increased from $4.3 trillion to $6.5 trillion, or 53 percent, much faster than GDP. In other words, the producer/capital goods market grew more rapidly than the consumer/retail good market. This suggests that the number of stages of production increased.

Second, the data seem to confirm the Austrian view that production in the intermediate processes tends to be more volatile than final output and thus more sensitive to the business cycle. For example, during the 1990–91 recession, real GDP fell $31.5 billion, while real II fell $74.6 billion—more than twice retail sales. Since then, intermediate production has grown substantially faster (41 percent) than consumer spending (27 percent) from 1991 to 1998. I would like to test these statistics during previous boom-bust cycles (such as 1973–75 and 1980–82), but unfortunately, the data for II and GO are incomplete prior to 1987.

Third, GO data support the Austrian argument that business investment—not consumer spending—is the driving force behind economic growth. The Keynesian argument that consumer spending is the largest sector of the economy is specious and is based on a misunderstanding of GDP statistics. It is true that personal consumption expenditures typically represent 67 percent of GDP, but GDP is not total spending in the economy. On measuring total spending (GO), one sees that the capital/producer goods industry is substantially larger than the final consumer/retail goods industry. Using 1998 data, we find that personal consumption expenditures amount to $5.8 trillion, only 38 percent of GO, and gross business investment (which includes all intermediate production, plus gross fixed investment) amounts to $7.9 trillion, 52 percent of total spending.

In sum, intermediate production does matter, and GO is a better indicator of what is happening in the entire economy, not just the retail sector. Hopefully, the next step will be for the Commerce Department to release up-to-date quarterly data for GO and II as they currently do for GDP. We could learn a lot more about the direction of the economy with these new Austrian national income statistics. □

1. Wilhelm Röpke, *Economics of a Free Society* (Chicago: Henry Regnery & Co., 1963), p. 43.

2. See *The Structure of Production* (New York: New York University Press, 1990), chapter 6, and *Economics on Trial* (Homewood, Ill.: Irwin, 1993), chapter 4.

3. See "Improved Estimates of Gross Product by Industry for 1947–98," *Survey of Current Business* 80:6 (June 2000), pp. 24–63. Table 8 measures Gross Output 1987–98, and table 9 measures Intermediate Input 1987–98.

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BOOKS

Charter Schools in Action

by Chester Finn, Bruno Manno, and Greg Vanourek

Princeton University Press • 2000 • 288 pages • $27.95

Reviewed by of Andrew J. Coulson

With the publication of *Charter Schools in Action*, the authors aim to provide a definitive study of U.S. charter schooling at the end of the twentieth century, complete with a brief history explaining its origins and some tentative hypotheses about its future. They are, for the most part, successful. There is at present no better source of information for someone wanting to become familiar with the concept and practice of charter schooling.

In its exposition of existing charter schools and the legislation that governs them, the book is well researched and documented, combining useful statistical tables with personal interviews and case studies. As with the authors' previous works, the prose is not only clear but also enjoyable to read. It particularly shines when the authors dissect the arguments against charter schooling leveled by defenders of the educational status quo.

No book is without weaknesses, however, and *Charter Schools in Action* has three. First, it does not offer an explicit conceptual framework within which to evaluate charter schooling. This causes problem number two, the book's failure to address adequately, or in some cases even to recognize, the risks and shortcomings of charter schools. Problem number three is the authors' cursory dismissal of a promising alternative reform: the creation of an unfettered educational marketplace.

The risks and shortcomings of charter schools are several. For one thing, whenever the state rather than the consumer pays for a service, we have the breeding grounds for fraud and corruption. Parents cannot be duped into paying for children they do not have, but the same can't be said of government agencies. The authors describe several fraudulent abuses, but fail to acknowledge that the problem is intrinsic to the separation of payment from consumption.

Allowing the government to hold the educational purse strings also draws the attention of charter schools away from families and toward the state. In a market, producers increase their income either by cutting costs or demonstrating improved services for which consumers are willing to pay more. Charter schools will only be able to raise revenues by lobbying the state. The 14-fold increase in inflation-adjusted per-pupil spending that has occurred in government schools over the past 75 years is a sobering harbinger of what to expect under charter schooling. The authors provide evidence of this lobbying already occurring among the country's nascent charter schools, but seem not to understand its importance or inevitability.

Finally, charter schools preclude the direct financial responsibility of parents that history shows to be crucial for the maintenance of parental involvement in, and control over, their children's education.

Based on historical and contemporary precedents, charter schools are likely to be re-regulated to the point where they are indistinguishable from traditional government-run schools. The authors are aware of this "ominous threat," but can offer no solution.

The downside of charter schooling would be of negligible importance if their impact were limited to charter schools themselves. Charter schools would still constitute some improvement over traditional public schools. The real concern is that previously independent private schools are being lured into the charter fold. If large numbers of private schools adopt charter status, the eventual re-regulation of charter schools will expand the government education monopoly. The authors make no mention of this Damoclean sword hanging over the charter movement.

The most surprising flaw in *Charter Schools in Action* is its cursory dismissal of free-market education. The authors' one-page treatment of what they call the "chimera of privatization" is so brief as to be virtually subliminal and is out of place in an otherwise

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thoughtful and intelligent book. The authors make a quick grab for their rhetorical six-shooter and fire off a half-dozen bullet items intended to dispatch educational markets. But the authors succeed only at blowing a hole in their own credibility.

While the book does not fully inform readers of the pitfalls associated with charter schools, or do justice to alternative education systems, it offers the best source of information currently available on charter schooling. □

Andrew Coulson is the author of Market Education: The Unknown History.

Monopolies in America: Empire Builders and Their Enemies from Jay Gould to Bill Gates

by Charles R. Geisst

Oxford University Press • 2000 • 355 pages • $30.00

Reviewed by Burton Folsom, Jr.

The current Microsoft court case, hotly debated and full of economic implications, makes a historical study of monopolies and antitrust law very relevant. Unfortunately, business historian Charles Geisst's *Monopolies in America* is incomplete and one-sided, mostly reiterating the traditional statist interpretation of big business and monopoly. Geisst ignores a wealth of contradictory writings and evidence, and shows little understanding of the dynamic role of marketplace competition.

Geisst's goal is to describe the relationship of big business and government from the Civil War to the present. He gets off to a shaky start by confusing oligopoly and monopoly. Monopoly, strictly speaking, means only one seller in a particular industry. But whether a company is an active monopoly or merely one that strongly dominates its industry, Geisst implies that it has inherent and insurmountable advantages that government needs to dissolve.

In arguing his case, Geisst asserts that predatory price-cutting was a common technique in the late 1800s and that "pooling" was effective in stabilizing a company's share of the market. However, the detailed research of D.T. Armentano, Thomas DiLorenzo, Butler Shaffer, and Larry Schweikart (which Geisst ignores or overlooks) shows that markets created competition and gave customers low prices. Pools didn't endure, and predatory price-cutting was rarely tried because, as John McGee demonstrated for Standard Oil, it would have been self-defeating. Standard Oil, with the largest market share, stood to lose more than it would have gained from cutting prices below cost. Competitors, meanwhile, would simply have reappeared when prices rose. None of that is new or obscure, but Geisst gives no evidence of familiarity with the free-market critiques of conventional theory.

Geisst maintains that the Sherman Antitrust Act was needed because big businesses had the ability, or at least the potential, to restrain trade. He therefore deplores the first major antitrust decision, the *E.C. Knight* case (1895) because it allowed American Sugar Refining to buy Knight and thereby control 98 percent of the sugar refining market in the 1890s. Geisst neglects to mention that new sugar companies entered the refining business quickly after the Knight consolidation and had slashed American Sugar Refining's market share to 25 percent by the mid-1920s. The market, not government, created this competition.

The pattern was similar with Standard Oil. Geisst praises the decision to break up the company in 1911 because it was so large and "powerful." But Standard Oil was in decline even before its day in court: it failed to invest in Texas oil or to innovate in off-shore drilling. Gulf Oil, Texaco, and newer companies did those things and whittled down Standard's market share years before the courts broke up the company. Geisst further cites U.S. Steel and International Harvester as sinister behemoths stitched together by the powerful J.P. Morgan. But both companies failed to innovate in the early 1900s and thus lost significant market shares within 20 years after their formation. For example, Bethlehem Steel, not U.S. Steel, innovated in structural

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steel by inventing a process to make a beam in a single section instead of riveting it together.

The only redeeming part of the book is the last chapter, "Goodbye Antitrust (1983–1999)." Geisst wrote two earlier books on Wall Street and three on banking and capital markets. On the financial developments of the 1980s and 1990s he is well informed and his description and analysis of junk bonds, leveraged buyouts, hostile takeovers, and greenmail is usually thoughtful. Geisst criticizes the government's disastrous prosecution of IBM for its alleged near-monopoly in the computer business. He writes, "During the record-setting trial, IBM's monopoly in the computer business was proven to be a myth, as dozens of smaller competitors entered the market for the new personal computers." Once again, antitrust laws were not needed to create competition, but led to the waste of many millions of dollars in legal costs.

Unfortunately, when it comes to Microsoft, Geisst returns to his old habits of reiterating "conventional wisdom" without any critical analysis. For example, he buys the government's line that Microsoft had to be prevented from erecting "barriers to entry" to the Internet.

Monopolies in America is weak on research and rarely asks penetrating questions about the theory that government action is necessary to protect us against monopoly. But Geisst, as he shows in his last chapter, is not inherently biased against free-market ideas. He just doesn't seem to know the strong scholarship supporting them. □

Burton Folsom, Jr., is historian in residence at the Center for the American Idea in Houston, Texas, and author of The Myth of the Robber Barons.

The Rule of Law in the Wake of Clinton
edited by Roger Pilon
Cato Institute • 2000 • 240 pages • $9.95 paperback

Reviewed by George C. Leef

The oath of office obligates the president of the United States to preserve and defend the Constitution, and thus the central function of his job amounts to *maintaining the rule of law.* The president is not supposed to *govern* the nation, but the temptation to misuse the power of the office to do so has proven to be one that most occupants of the White House have been unable to resist. The history of presidential usurpation of powers intended for other branches of government, and of the seizure of powers not intended for any branch, is a long and sorry one.

The 42nd president, William Jefferson Clinton, will be remembered for many dishonorable things, but foremost among them should be the attack on the rule of law that took place during his administration. Unwilling to abide by the constitutional limits on executive power, this latter-day Roman emperor trampled the rule of law incessantly. Clinton's "We must win it, then" attitude, expressed during the Lewinsky affair but much in evidence throughout his presidency, boiled down to a relentless determination to have his way no matter what the law said.

Last July the Cato Institute held a conference to discuss the Clinton administration's lawlessness. Fifteen scholars presented papers, and this book now puts their work before the public. Edited by Roger Pilon, Cato's vice president for legal affairs, they demonstrate that, across a wide front, Clinton and his minions overran the rule of law. Our defenses against the arbitrary exercise of executive power, when put to the test, proved no match for a president who would not allow mere words on paper to stand between him and the accomplishment of his objectives.

What is so important about the rule of law anyway? Law professor Lillian BeVier explains in the book's initial essay that the rule of law secures order and liberty for all by ensuring "equal impersonal treatment according to known rules and without regard to status, rank, or political persuasion." Take away the rule of law and we are all at risk of loss of life, liberty, and property to grasping government officials.

ACLU President Nadine Strossen makes it clear in her essay that the Clinton record should be just as frightening to "liberals" as to libertarians and conservatives. She observes that privacy and speech rights have been

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pounded under Clinton, writing that, "The overarching theme that captures Clinton's overall civil liberties transgressions, including in the free speech and privacy areas, is that they seem animated not by ignorance of constitutional principles, but rather by a brazen disregard for those principles." Moreover, she worries that Clinton's attacks will have long-lasting repercussions. He has, after all, shown future presidents how much they can get away with.

Senator Fred Thompson recounts Clinton's use of the Justice Department as a shield for its numerous legal transgressions. Janet Reno was not his first choice for attorney general, but it is hard to imagine that anyone else would have performed more dutifully the job of insulating top officials from legal responsibility for actions that appeared to violate the law. Thompson writes that "the Attorney General was unduly protecting high-ranking officials from the regular legal process that other citizens have to undergo." A sycophantic, politicized Justice Department is a necessity for presidents who want to play fast and loose with the law, and Clinton has now set the standard.

There is much more. The many executive orders that have pushed executive power far beyond that of the most imperial of earlier presidents are discussed ably by Pepperdine law professor Douglas Kmiec. The government's love affair with civil-asset forfeiture and general hostility to property rights are illuminated by Cato's Tim Lynch. Berkeley law professor John Yoo discusses Clinton's free-wheeling adventurism in foreign affairs.

The part of the book that I found most intriguing was that on the three "wars" waged by Clinton, all shunting aside the law in order to win public-relations points for himself and the Democratic Party: first, the war on tobacco, brilliantly analyzed by Robert Levy (Cato's senior fellow in constitutional studies); second, the war on firearms, dissected by Alabama Attorney General Bill Pryor; and third, the war on Microsoft, with Boyden Gray (legal counsel to the first President Bush) doing the honors.

The fact that so many influential groups—especially the legal profession—have turned a blind eye to the Clinton administration's repeated and egregious attacks on the rule of law is extremely disquieting. Evidently, presidents who hew to leftist pieties can now expect to get away with constitutional murder. And even presidents who don't hew to leftist pieties may read from the Clinton blueprints on the maximization of power. Thanks to Cato for putting a high-powered spotlight on this serious problem. □

George Leef is the book review editor of Ideas on Liberty.

From Mutual Aid to the Welfare State

by David T. Beito

University of North Carolina Press • 2000 • 424 pages • $24.95

Reviewed by Roger W. Lotchin

David T. Beito has written a book of significance to many subdisciplines of history, including urban history, social history, African-American history, and immigration history. Concentrating on the oft-ridiculed fraternal lodges, Beito argues that Americans have gone from a welfare system of mutual aid based on reciprocity to one of paternalistic dependency based on hierarchy. The thesis is stated precisely and argued systematically throughout the book and documented with a wealth of evidence.

Beito, professor of history at the University of Alabama, argues that the fraternals' popularity grew out of their ability to provide important welfare services to their members in a personal and noncondescending manner. As he cogently puts it, "In contrast to the hierarchical methods of public and private charity, fraternal aid rested on an ethical principle of reciprocity." Societies grew up to satisfy members' needs for both sociability and security.

Whether speaking about disease, housing, poverty, or ethno-cultural relations, nineteenth- and twentieth-century analysts of the American city have painted it in gloomy colors indeed. If Beito's book is any indication, more discerning observers are beginning to see

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some virtue in those belabored urban places. As the author points out, the fraternals tended to arise in cities precisely because cities provided the societies with the necessary mass of potential members.

The lodges satisfied a great range of people's needs. Members of all races, nationalities, and creeds dreaded becoming public charges, feared sickness and injury, and were horrified at the prospect of a funeral at public expense. Fraternal societies created an amazing range of organizations to ease these concerns. Masons, Knights of Columbus, Foresters, Odd Fellows, Woodmen, Workmen, Sons of Italy, Scots' Charitable Society, Rebekahs, Moose, Elks, Mosaic Templars of America, Eagles, Hibernians, and others march through the pages of this volume in pursuit of the goal of security for their members. Where the critics of the city (historic and contemporary) usually see dearth and desperation, Beito finds a cornucopia of organized and precocious self-help.

The fraternals shared the common values of mutuality, reciprocity, self-help, civility, business training, thrift, leadership, self-government, self-control, and "good moral character." Although the neo-tribalists in academe commonly emphasize the importance of race, class, and gender, Beito gives these matters a different twist. While fraternal societies often grew up on such foundations as African-American origins, Jewish descent, or Irish culture, the organizations were similar and preached and practiced common values. These were not just blue-collar organizations; they comprised both blue- and white-collar people and included native-born Americans, immigrants, blacks, and women.

Above all, these fraternal believers in self-help created successful organizations. For decades, membership increased, benefits rose and expanded, organization improved, activities multiplied, and locals and nationals proliferated. Fraternals created orphanages, homes for the elderly, insurance programs, death and sickness benefits, and even health-care systems. For a time, before being driven out of the business, fraternals hired their own doctors to care for their members.

Beito's evidence points unmistakably to the conclusion that the fraternal societies created extensive benefits for their members. However, after many years of useful work, the services of the fraternals became less important. The medical profession stopped fraternals from providing doctors; commercial insurance captured more and more policies; and the federal government co-opted the pension function. Aid to Dependent Children, provided under Social Security legislation, undermined the orphanages by making cash payments to foster homes. In one of its most insensitive actions, the government began providing medical care in competition with African-American organizations that had painstakingly constructed their own successful hospital and clinical-care systems in Mound Bayou, Mississippi.

The book is wise, civil, and thoughtful throughout, but especially in its conclusion. As the author suggests, "instead of mutual aid, the dominant social welfare arrangements of Americans have increasingly become characterized by impersonal bureaucracies controlled by outsiders." □

Roger Lotchin is professor of history at the University of North Carolina, Chapel Hill.

Viable Values: A Study of Life as the Root and Reward of Morality

by Tara Smith

Rowman and Littlefield • 2000 • 204 pages • $21.95

Reviewed by Aeon J. Skoble

A fundamental problem in moral philosophy is the question of why one should be moral in the first place. Although moral philosophers since Plato have been giving answers to that question, it is the sort of question that is good to address regularly, not least because so many people remain unpersuaded each time. Tara Smith's new book, *Viable Values: A Study of Life as the Root and Reward of Morality*, won't be the last such attempt, but it is a very good one. Smith may be familiar to readers of this magazine as the author of *Moral Rights and Political Freedom*, a solid

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defense of political liberty. Indeed, the derivation of objective values in this new book makes her earlier argument for liberty that much more firmly grounded.

Smith, professor of philosophy at the University of Texas, writes that she intends to "examine Ayn Rand's thesis that values and morality are grounded in the requirements of human life." Rand's approach to the why-be-moral question, which is itself a variant of Aristotle's, is that the point of being moral is to flourish as the sort of living being one is. Smith's analysis is characteristically thorough and rigorous, and backed by careful scholarship. She is not merely engaged in Rand exposition, but rather in making an original argument influenced by Rand, and exploring key meta-ethical issues. It is a well-organized, logical argument, written with engaging style.

The basic idea is that to live—not to live well, but to live at all—one needs to interact with the world in certain ways and use one's faculties to contribute to the preservation and enhancement of one's life. Beginning with that premise makes the theory an example of what philosophers call "ethical naturalism," but it is a naturalism that is not unchosen and externally imposed. Morality, on this view, is chosen, but natural in the sense of referring to the way the world works. Since the fact of human life is objective, values are objective. Rationality is our objective tool for discovering and then choosing the right values. With this approach, Smith distances herself from the fashionable subjectivism and cultural relativism that pass for ethics these days.

Smith includes a good discussion of the so-called "fact-value distinction," a common error in modern moral philosophy. Critics of ethical naturalism claim that one can never deduce a value from a fact (an "ought" from an "is"), and hence a theory of "nature" can be of no use in producing an ethics. On the contrary, Smith argues, ought-claims *can* be deduced from is-claims: since battery acid *is* lethal, I *ought* not to drink any. Since rationality is one of the powers at my disposal, I ought to use it to preserve and enhance my life. Courage might be a genuine value because "[I]f a person is cowardly when his values are at stake . . . he will suffer. . . . Pretending that things are other than they are . . . does nothing to strengthen his ability to navigate the facts that he distorts." Smith is arguing that life is what makes values possible, but also what makes them necessary. Understanding what life is enables us to discern values, and the point of values is to live (well).

In addition to criticizing the intuitionist, contractarian, and rationalist approaches to ethics, Smith distinguishes her ethical egoism from hedonism and subjectivism. She writes that the "image of egoism as indulgent consumption belies the fact that a person's life is not sustained without effort. Consumption per se is not the measure of a person's interest because people do not live simply by consuming. . . . An egoist must cultivate qualities that generate the values that his survival depends on." Principles aren't a luxury, but a practical necessity, and violating one's principles is "an interruption of a person's progress along a life-promoting path. . . . Deviation from correct principles works against a person's interest."

Two criticisms worth noting: First, Smith is promoting a line of thinking that is ultimately derived from Aristotle, even though it is true that Smith, Rand, the neo-Aristotelians, and Aristotle all have their differences. Why not make the Aristotle connections more explicit? For general readers, this would be of minimal value, but many of Smith's readers will have some philosophical background and may want to see some of this.

Second, I was puzzled by Smith's argument that "rational interests do not conflict." She says we need not regard morality as a "zero-sum game," and hence we do not need to, for instance, sacrifice honesty for convenience. One person's cultivation of values, living a flourishing life, does not take away from another's ability to pursue a good life. But does it follow from that that "as long as they are led rationally, . . . people's lives do not conflict"? It's true that my pursuit of virtue does not interfere with another's, but surely my pursuit of some scarce good does. We can all live an honest life, but we cannot all own a home in the Hamptons—even if we were all rich enough to afford one, there just aren't enough to go around. If the good is scarce,

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and it is a rational goal for even some people, there may well be a conflict. But this section was the only one I found unpersuasive, and her argument certainly does not depend on it. In any case, these objections don't detract from what is an excellent book on moral philosophy, which the general reader and the academic philosopher alike could profit from reading. □

Aeon Skoble is a visiting assistant professor of philosophy at West Point. The ideas expressed here are his own.

Nonzero: The Logic of Human Destiny
by Robert Wright
Vintage Books • 2001 • 448 pages
• $15.00 paperback

Reviewed by Todd Zywicki

In *Nonzero: The Logic of Human Destiny*, Robert Wright argues that gains from trade, or "nonzero" transactions, is the motivating force driving human history. Because of the advantages of engaging in nonzero-sum transactions, it was virtually inevitable that living organisms would evolve whose primary function would be to capitalize on the benefits of nonzero trading opportunities. In turn these species would construct social, legal, and cultural institutions whose primary purpose was to make possible ever-increasing gains from trade. There is an "arrow" to history, one pointing toward ever-increasing social complexity designed to make nonzero interactions possible.

Wright divides the book into three basic parts that elaborate the idea of the centrality of nonzero interactions to the trajectory of human history. Part I, modestly titled "A Brief History of Humankind," advances the thesis that human cultural evolution can be best understood as the creation of "technologies," such as money, writing, and printing, designed to make possible the realization of gains from trade. Employing a model of Darwinian selection among cultural groups, Wright argues that once invented, these useful technologies tended to spread rapidly.

Invoking the concept of reciprocal altruism from evolutionary psychology, Wright argues that humans are naturally inclined to engage in nonzero-sum transactions. Here Wright has in mind two basic engines of such interactions: the division of labor and the division of knowledge. Wright places more emphasis on the latter. Information, after all, is the ideal nonzero-sum good; unlike physical resources (such as coal or food) the stock of information does not decrease as more people use it.

Once discovered, information can be made freely available to all—indeed, many types of information technologies become increasingly valuable as more people use them. Wright plots the arrow of human cultural evolution as the spread of these new information technologies. Following on the heels of the revolutionary inventions of agriculture, money, and printing, the future will be powered by the Internet, an information-processing device that can instantaneously coordinate information from disparate parts of the globe.

Part II, "A Brief History of Organic Life," develops a similar model of biological evolution to that proposed for cultural evolution in Part I. Specialization of cells in living creatures provides similar benefits to the specialization of functions in a human economy. As a result, there is a similar arrow of biological evolution, generating increasingly complex organic entities and culminating in the evolution of a species of high intelligence. If intelligent humans had not evolved to fill this environmental niche, Wright believes some other creature almost certainly would have.

In Part III, Wright draws predictions about the future course of cultural and political evolution. Building on his earlier analysis, Wright foresees the continued expansion of nonzero-sum exchange to the global level, powered by the Internet. He believes that political institutions are necessary to creating the conditions for nonzero-sum exchange, thus political institutions co-evolve with the scope of the gains from nonzero-sum exchange. Thus he foresees the development of global government to regulate the needs of a global economy and global information transmission.

Earlier in the book Wright recognizes the

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possibility that the surplus from exchange appears first and that political institutions arise to appropriate some of the surplus that has already been created. If so, the gradual elevation of power toward global political institutions should be resisted, rather than embraced. He leaves this tension unresolved in his conclusions.

One of Wright's central themes is that "good ideas," such as eyesight, tend to be "invented" independently many times in history. The book itself unwittingly proves the point. Many of the core ideas of *Nonzero* were also articulated by F.A. Hayek. Hayek's career, of course, was dedicated to an examination of the way that dispersed knowledge is coordinated and transmitted to dispersed decision-makers. Hayek also advocated a model of cultural group selection virtually identical to Wright's. Wright, unfortunately, only mentions Hayek once in passing.

Nonetheless, Wright has provided an important service by making these ideas accessible in a way Hayek was unable to do. Wright, a former reporter for *The New Republic,* has written a book for the new millennium, clear and witty in exposition, penetrating and provocative in analysis. Many of his tangents are as interesting as the central narrative. Everyone interested in freedom and spontaneous order, and the implications of those concepts for understanding both the past and future, should read this important and fascinating book. □

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Last Call!

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April 20-21

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IDEAS ON LIBERTY
APRIL 2001

Racial Profiling

Former President Clinton called for a national crackdown on racial profiling and ordered federal law-enforcement authorities to begin an investigation. While running for president Al Gore promised the NAACP that if elected, eliminating racial profiling by the nation's police departments would be a top priority. New Jersey Governor Christie Todd Whitman fired Police Superintendent Carl Williams after the 35-year veteran trooper said in an interview that minorities are more likely to be involved in drug trafficking.

In 1996 New Jersey Superior Court Judge Robert E. Francis suppressed evidence and dismissed criminal charges against 19 black defendants because he found a "de facto policy of targeting blacks for investigation and arrest . . . violating the equal protection and due process clauses."

What is racial profiling? Does it serve any purpose? In the most general terms, racial profiling is a process whereby people employ a cheap-to-observe physical characteristic, such as race, as a proxy for a more costly-to-observe characteristic. It is prejudice, in the sense of the word's Latin root—the act of pre-judging, or the practice of making decisions on the basis of incomplete information.

Since the acquisition of information is not costless and requires the sacrifices of time and/or money, we all seek methods to economize on its acquisition. Prior to making a decision, people never obtain all of the information available or possible to obtain. For example, people prefer low prices to higher prices for a given purchase, but they never canvass *all* prices. In choosing a mate, we never obtain all possible information about our prospective spouse. In these and other decisions, we decide that a certain amount of information is "enough" and we search no more.

Consider the following example of pre-judging. Suppose on entering a room a person is unexpectedly confronted with the sight of a fully grown tiger. A fairly reliable prediction is that one would endeavor to leave the area in great dispatch or otherwise seek safety. All by itself that prediction is uninteresting. More interesting is the explanation for the behavior. Would the person's decision to run be based on any detailed information held about that *particular* tiger? Or would the decision be based on the person's stock of information about tigers in general, what his parents have told him about tigers, and tiger folklore? Most likely the individual's decision would be based on the latter. He simply pre-judges, or stereotypes, the tiger. The fact that it is a tiger is deemed sufficient information for action.

If a person did not pre-judge, or employ tiger stereotypes, his behavior would be different. He would endeavor to acquire additional information about the tiger before taking any action. Only if the tiger became menacing or lunged at him would he seek safety.

Most people so confronted by a tiger would not seek additional information. They would

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quickly calculate that the expected cost of an additional unit of information about the tiger is greater than the expected benefit.

Pre-Judging People

What is popularly termed racial profiling represents pre-judging, where policemen disproportionately stop black motorists or pedestrians for identification, questioning, and contraband searches. We might ask: can one's racial characteristics serve as a proxy for some other characteristic not as readily observed? The answer is unambiguously in the affirmative. Knowing a person's race allows one to make some fairly reliable generalizations because race is correlated with a number of social and physical characteristics. Knowing that a man is black, one can assign a higher likelihood of his having diseases such as prostate cancer, sickle cell anemia, and hypertension. Knowing a person's race allows one to assign a probability to a host of socioeconomic characteristics such as scores on achievement tests, wealth status, criminal record, or basketball proficiency. Given this reality, we can no more reliably say that a policeman is a racist when he assigns a higher probability to a black's being a criminal, and stops him for questioning or search, than we can reliably say that a physician is a racist when he assigns a higher probability of prostate cancer to his black patients and screens them more carefully.

Jesse Jackson once commented, "There is nothing more painful for me at this stage in my life than to walk down the street and hear footsteps and start thinking about robbery—then look around and see somebody white and feel relieved." Jesse Jackson asserted a relationship between race and crime. Does that make him a racist?

There are certain high-crime areas of a city—maybe it is New York's Harlem or Washington, D.C.'s Anacostia—where taxicab drivers have been assaulted, robbed, and murdered. Out of safety concerns, white and black taxi drivers seek to identify and hence avoid passengers they suspect might ask to be driven to those areas. This is racial profiling, but it does not necessarily indicate racial preferences.

I've experienced racial profiling. One instance was when I resided in Chevy Chase, Maryland, an exclusive Washington suburb. A Saturday chore, resulting from owning a corner house, was to pick up trash discarded by motorists. Once while doing this, a white gentleman offered me a job cleaning up his property. When I thanked him and told him that I would be busy the rest of the day working on my dissertation, he apologized profusely.

The reality is that race and other characteristics are correlated, including criminal behavior.* That does not dispel the insult, embarrassment, anger, and hurt a law-abiding black person might feel when being stopped by police, watched in stores, being passed up by taxi drivers, standing at traffic lights and hearing car door locks activated, or being refused delivery by merchants who fear for their safety in his neighborhood. It is easy to direct one's anger at the taxi driver or the merchant. However, the behavior of taxi drivers and owners of pizza restaurants cannot be explained by a dislike of dollars from black hands. A better explanation is they might fear for their lives. The true villains are the tiny percentage of the black community who prey on both blacks and whites and have made black synonymous with crime.

One cannot unambiguously say that police racial profiling represents racist preferences. Racial profiling is practiced by both black and white policemen. Ending racial profiling by police would put more black people at risk. To the extent that black people commit more crimes than white people, to the extent that black people are the major victims of black criminals, to the extent that police stops catch criminals—to that extent, eliminating racial profiling would deprive law-abiding blacks protection from criminals. □

*Percentage of black arrests for selected crimes, 1995: murder and non-negligent manslaughter, 54.4; forcible rape, 42.4; robbery, 59.5; aggravated assault, 38.4; burglary, 31; vehicle theft, 38.3; fraud, 34.7; receiving stolen property, 39.4; weapons violations, 38.8; drug violations, 36.9. Crime in the United States, 1995 Uniform Crime Reports: Uniform Crime Reports (Washington, D.C.: U.S. Government Printing Office, 1995), p. 226.

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FEE Summer 2001
Student Programs in Irvington-on-Hudson

Advanced Austrian Economics

June 10-15

Co-sponsored with NYU and GMU, this seminar is designed for serious students interested in pursuing academic studies in Austrian economics. Faculty and graduate students are given priority, although exceptionally well-qualified undergraduates are also encouraged to apply. For more information, please contact Professor Peter Boettke at pboettke@gmu.edu or visit http://www.gmu.edu/departments/economics/pboettke.

Freedom and the State

July 14-19

Explore the rich history of individual liberty, the rule of law, free markets, and current policy issues during this week-long seminar. This intensive program will give you the opportunity to challenge yourself and others as we bring vibrant new ideas to a host of introductory topics. Meet people from around the world, learn, discuss, and get the chance to visit New York City, a short train ride from our Hudson Valley headquarters.

Liberty and Morality

August 4–9

The market works, but is it fair? Students who have attended an introductory seminar or have comparable experience are encouraged to apply to this program. Participants will have the opportunity to explore a wide variety of topics, including the proper role of government, the ethics of markets, and theories of rights.

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"One machine can do the work of fifty ordinary men.
No machine can do the work of one extraordinary man."

—ELBERT HUBBARD (1856-1915)

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